



1402, 500 Fourth Avenue SW, Calgary, AB T2P 2V6 tel: 403.262 9500; fax: 403.262 9522

## Xtreme Coil Reports Strong 2009 1Q Results and Updates Operations

**Calgary, Alberta (TSX: "XDC") May 12, 2009** – Xtreme Coil Drilling Corp. ("Xtreme Coil", the "Company") provides an operations update and announces financial and operating results for the three months ended March 31, 2009 ("2009 1Q"), with comparative data for same period in 2008 ("2008 1Q"), the trailing period ("2008 4Q") where relevant and for the year ended December 31, 2008.

### Recent Highlights

- XTC 300 rig reached record depth of 3,034 meters (9,954 ft) with 3-1/2" coil in México
- accepted letter of intent for two Coil Over Top Drive<sup>®</sup> ("COTD<sup>™</sup>") XTC 200DT<sup>Plus</sup> rigs
- XTC 400 rig achieved record drilling pace for a well in the DJ Basin of Colorado
- appointed Elizabeth Wilkinson chief financial officer

### 2009 1Q Highlights

- 2009 1Q revenue increased 86 percent from 2008 1Q
- 2009 1Q EBITDA increased 175 percent from 2008 1Q
- 2009 1Q achieved 803 operating days, a 39 percent increase from 2008 1Q
- new contract for two COTD<sup>™</sup> XTC 400 drilling rigs for México
- appointed Rod Uchytíl president and chief executive officer and Richard Havinga chief operating officer
- won New Exporter award at inaugural Alberta Export Awards ceremony hosted by CME-Alberta

### Operations Update



In April 2009, Xtreme Coil drilled a world record well in México's Chicontepec field with Rig #14, an XTC 300 rig (see photo left). The upper portion of the "S" curve well, was drilled with conventional drill pipe after which the rig transitioned to 3-1/2 inch coil to drill to total depth of 3,034 meters (9,954 ft.) in 7 inch hole. Many of the unique features of Xtreme Coil's COTD<sup>™</sup> rig design contributed to achieving efficient time and depth results for our customer. In particular, the rig

demonstrated its ability for smooth transition from drilling with conventional drill pipe to drilling with coil as well as coil's snubbing capability for well control and efficiency in maintaining constant circulation. Coil was used to deploy logs and to complete further downhole work, leaving the well ready for completion operations at rig release.

Xtreme Coil recently accepted a letter of intent which, after the contract is executed, will require two XTC 200DT<sup>Plus</sup> rigs to move from Texas to México with drilling expected to begin in 2009 3Q. After these two rigs have commenced operations, Xtreme Coil will have ten COTD<sup>TM</sup> rigs working in México. Earlier this year, we entered a contract for two XTC 400 drilling rigs to work in México. These two rigs were modified to customer specifications, transported and subsequently arrived in México where one is rigging up and the second is moving to its location. We expect these two rigs will begin drilling operations in 2009 2Q.

In the Rocky Mountain region of Colorado, where Xtreme Coil has three rigs working under long-term contract, our customer reported that Rig #8, an XTC 400, recently achieved a field record by drilling a well to a depth of 7,480 feet in 2.7 days rig release to rig release. Xtreme Coil held the previous Wattenberg field record for pace of drilling and we are pleased to have our customer recognize this continuous improvement from Xtreme Coil's capable operations staff.

We protect Xtreme Coil's differentiating drilling and transportation technology through routine applications for new patents as our technical team develops new designs for both drilling equipment and processes. Since December 2008, the United States Patent and Trademark office has issued two new patents to Xtreme Coil.

In March 2009, Xtreme Coil received recognition as winner of the New Exporter category at the Alberta Export Awards ceremony hosted by the Alberta division of Canadian Manufacturers and Exporters which cited the winning companies as demonstrating "the drive, innovation and competitiveness ... necessary to succeed in foreign markets". We appreciated the opportunity to communicate about the value of new drilling technologies with a broad range of participants at the event and with the media following receipt of this award.

We believe the executive appointments announced in January and April will further strengthen Xtreme Coil's corporate structure and we look forward to applying their contributions as we pursue our strategy for growth involving international markets.

The strong financial and operating results Xtreme Coil has reported for 2009 1Q demonstrate our commitment to exceptional performance for the benefit of our customers and shareholders. We believe the dual capability and reliability of our fleet of relatively new drilling rigs differentiates Xtreme Coil from our competitors. We strive for continuous improvement in our business fundamentals. We endeavour to expand our opportunities with current customers and respond strategically to interest in our innovative drilling technology for new projects in new regions.

Tom Wood  
Executive Chairman

Rod Uchtyl  
President and Chief Executive Officer

### 2009 First Quarter Highlights

(\$ thousand, except where noted)

	2009 Mar 31	2008 Mar 31	% Change
Revenue	22,914	12,335	86
EBITDA <sup>1</sup>	6,187	2,253	175
Net income (loss)	2,379	496	380
Net income (loss) per common share - basic (\$)	0.06	0.01	484
Weighted average common shares – basic (thousand)	40,726	34,472	
Capital assets	271,366	192,855	41
Operating days <sup>1</sup>	803	579	39
Rig utilization (percentage) <sup>1</sup>	56	74	(24)

<sup>1</sup> see Non-GAAP measures in MD&A

This page intentionally left blank

**Management's Discussion and Analysis ("MD&A")**  
**For the three months ended March 31, 2009**  
*(\$ thousand, except where noted)*

Management for Xtreme Coil Drilling Corp. ("Xtreme Coil", the "Company") based this MD&A on operating and financial results for the three months ended March 31, 2009 and provides comparative information for the three months ended March 31, 2008. Management recommends reading this discussion and analysis of Xtreme Coil's financial condition and results of operations in conjunction with the audited consolidated financial statements and MD&A for the year ended December 31, 2008. Management prepares the consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") and expresses all amounts in Canadian dollars ("CAD") unless otherwise stated. This MD&A is based on information available as at May 8, 2009.

**Forward-Looking Statements**

*This MD&A, or documents incorporated herein, may include certain information, statements and assumptions (collectively, "forward-looking statements") regarding management's view of future events, expectations, plans, initiatives or prospects constituting forward-looking statements within the meaning of securities laws. Forward-looking statements may relate to Xtreme Coil's future outlook and anticipated events or results and may include statements related to anticipated future contracts; commodity pricing; rates of currency exchange; operating expenses; rig building, completion or deployment; capital expenditures and other 2009 guidance provided throughout this MD&A.*

*These statements are based on certain factors and assumptions regarding, among others: assessment of current, and projections for future, operations; ongoing and future business negotiations and opportunities to enter new, continue or extend existing contracts; the availability and cost of financing; foreign currency exchange rates; timing and magnitude of capital expenditures; expenses and other variables affecting rig operating and construction expenses; the ability of vendors to provide rig component equipment, services and supplies, including labour, in a cost-effective and timely manner; the issuance of applied-for patents; jurisdictional changes in taxation rates; and, government regulations. Although Xtreme Coil considers the assumptions reasonable, based on information available to management as at May 8, 2009, the assumptions may ultimately prove incorrect.*

*Forward looking-statements are also subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from management's current expectations. These factors include, but are not limited to: the cyclical nature of drilling market demand, currency exchange rates, and commodity prices; access to credit and to equity markets; competition for customers from other drilling contractors, labour and vendor-provided rig components. Because of these risks and uncertainties, actual results, expectations, achievements or performance may differ materially from what is anticipated or indicated by these forward-looking statements.*

*Management's assumptions included the following: continued operation of the existing fleet of drilling equipment without additional significant capital expenditures; replacement of the Corporation's credit facility; ongoing access to key supplies required to continue operating equipment, including fuel; continued successful performance of drilling and related equipment; expectations regarding gross margin; recruitment and retention of qualified personnel; continuation or extension of existing long-term contracts; revenue expectations related to shorter-term drilling activity; willingness and ability of customers to remit amounts owing to Xtreme Coil in accordance with normal industry practices; and management of accounts receivable in direct relation to revenue generation.*

*Management considered the following risk factors when preparing the MD&A: fluctuations in crude oil and natural gas commodity prices, supply and demand; fluctuation in foreign exchange and interest rates; financial stability of Xtreme Coil's customers; current and future applications for Xtreme Coil's proprietary technology; competition from other drilling contractors; regulatory and economic conditions; environmental constraints; changes to government legislation; international trade barriers or restrictions; global political and military events.*

**Management's Discussion and Analysis ("MD&A")**  
**For the three months ended March 31, 2009**  
*(\$ thousand, except where noted)*

*Financial outlook information contained in this MD&A about prospective results of operations, financial position or cash flow from operating activities is based on assumptions about future events, including economic conditions and proposed courses of action, and on management's assessment of relevant information currently available. Readers are cautioned such financial outlook information contained in this MD&A is not appropriate for purposes other than for which it is disclosed herein. Readers should not place undue importance on forward-looking information and should not rely on this information as of any other date. Except as required pursuant to applicable securities laws, Xtreme Coil disclaims any intention, and assumes no obligation, to update or revise any forward-looking statements to reflect actual results, whether as a result of new information, future events, changes in assumptions, changes in factors affecting such forward-looking statements or otherwise.*

**Description of the Business**

Xtreme Coil is a drilling contractor designing, building and operating its proprietary Coil Over Top Drive<sup>®</sup> ("COTD<sup>™</sup>") drilling rigs which employ new patented and patent-pending coil designs and technologies. In addition to their coil drilling capabilities, these drilling rigs retain the ability to drill with conventional jointed drill pipe. Xtreme Coil has built drilling rigs in Canada under contracts with several third parties. Upon completion of the COTD<sup>™</sup> drilling rigs, Xtreme Coil operates the rigs under contract to oil and natural gas exploration and production ("E&P") companies and to other international integrated service providers. Xtreme Coil currently conducts drilling operations in the United States and México and routinely pursues opportunities to provide contract drilling services within and beyond the current regions of operation.

Xtreme Coil's head office is in Calgary, Alberta, Canada. Xtreme Coil also has a corporate office in Houston, Texas and an operations office near Poza Rica, in the state of Veracruz, México. Xtreme Coil has United States field offices in Casper, and Cheyenne, Wyoming.

At March 31, 2009 Xtreme Coil had three drilling rigs working under long-term drilling contracts with a major E&P company in the United States. We prepare project proposals and conduct ongoing contract negotiations with current and potential new customers. During 2008, Xtreme Coil signed contracts and deployed six rigs for drilling operations in México. Early in 2009, Xtreme Coil entered into an additional long-term contract for two additional drilling rigs which are now being mobilized to commence operations in the same oil development project in México. As a result, the Corporation now has a total of 11 rigs committed under long-term contracts.

To date, the United States Patent and Trademark office has issued six patents to Xtreme Coil. One of these patents has also received issuance by the Eurasian patent office for regions under its jurisdiction throughout Europe and Asia. Xtreme Coil has more than 60 additional pending patent applications in the United States, Canada and other jurisdictions. Xtreme Coil's issued and applied-for patents cover coiled tubing drilling and transportation technology including equipment and methods for coiled tubing drilling to deeper horizons of 3,000 meters (10,000 feet) or more.

Xtreme Coil has designed six models of COTD<sup>™</sup> drilling rigs with five designs completed and deployed to field operations. At March 31, 2009, Xtreme Coil had 16 COTD<sup>™</sup> rigs completed (2008 1Q – 11 rigs). Of the sixteen rigs in service at March 31, 2009, eight rigs were in the United States, six were in México and two were en route from the United States to México. At May 8, 2009, eight rigs were under long-term contracts to work in México and eight rigs remain in the United States, three of which are operating under long-term contracts. During preparation of this MD&A, Xtreme Coil accepted a letter of intent requesting mobilization of the two XTC 200DT<sup>Plus</sup> rigs from Texas to México to operate under long-term contract, with operations intended to commence in 2009 3Q. After contracts and mobilization are completed for these two further drilling rigs, Xtreme Coil will have ten drilling rigs based in the Chicontepec development project in the state of Veracruz.

Xtreme Coil's previous capital plan called for the construction of 18 drilling rigs in total. We temporarily suspended drilling rig construction in 2008 3Q when economic uncertainty decreased demand in United States drilling markets. In addition to 16 completed drilling rigs, we have a number of components in stock for two additional drilling rigs.

Xtreme Coil's common shares trade on the Toronto Stock Exchange under the symbol "XDC".

**Management's Discussion and Analysis ("MD&A")**  
**For the three months ended March 31, 2009**  
*(\$ thousand, except where noted)*

**Selected Quarterly Financial Information** *(unaudited)*  
**Three months ended**

	<b>31 Mar 2009</b>	<b>31 Dec 2008</b>	<b>30 Sep 2008</b>	<b>30 Jun 2008</b>
Revenue	22,914	28,924	26,328	10,527
EBITDA <sup>1</sup>	6,187	6,539	5,899	715
Net income (loss)	2,379	2,508	1,278	(1,541)
Net income (loss) per share (\$)	0.06	0.06	0.03	(0.04)
Capital assets	271,366	238,345	231,392	211,948
Total assets	326,098	289,394	279,457	249,043
Operating days <sup>1</sup>	803	949	947	473
Rig utilization <i>(percentage)</i>	56	68	83	52
Weighted average rigs in service	16.0	15.2	12.4	10.0
Completed rigs, end of quarter	16	16	15	12

	<b>31 Mar 2008</b>	<b>31 Dec 2007</b>	<b>30 Sep 2007</b>	<b>30 Jun 2007</b>
Revenue	12,335	12,416	9,574	5,416
EBITDA <sup>1</sup>	2,253	2,237	(342)	(564)
Net income (loss)	496	(204)	(1,338)	(1,144)
Net income (loss) per share (\$)	0.01	(0.01)	(0.04)	(0.03)
Capital assets	192,855	188,913	167,788	148,503
Total assets	219,049	213,464	190,191	175,358
Operating days <sup>1</sup>	579	579	398	280
Rig utilization <i>(percentage)</i>	74	77	62	66
Weighted average rigs in service	9.0	8.1	7.0	4.6
Completed rigs, end of quarter	11	11	8	7

<sup>1</sup> see Non-GAAP measures

During the preceding eight quarters, Xtreme Coil's revenue, EBITDA, net income, assets and operating days have generally improved as we have steadily increased the size of our drilling rig fleet. In the near term, we expect our primary source of revenue will be from the nine rigs operating under long-term contracts at the end of 2009 1Q.

In February 2009, Xtreme Coil announced a new contract for two additional XTC 400 drilling rigs required in México, leading to 69 percent of the fleet being committed under long-term contracts in México and the United States. We expect additional revenues in late 2009 2Q from each of these two XTC 400 drilling rigs as they commence operations.

In May 2009, Xtreme Coil accepted a new letter of intent ("LOI") requesting mobilization of two XTC 200DT<sup>Plus</sup> rigs from Texas to México to operate under long-term contract, with operations intended to commence in 2009 3Q. After contracts and mobilization are completed for these two further drilling rigs, Xtreme Coil will have a total of ten drilling rigs operating in the Chicontepec development project in the state of Veracruz. When these two rigs are fully operational in México along with the two XTC 400 drilling rigs currently preparing to commence operations there, we would expect to exceed the revenue level achieved in 2008 4Q.

Compared to 2008 1Q, Xtreme Coil reported increased operating days in 2009 1Q, reflecting more rigs operating under contract. However, rig utilization was lower overall because of the larger fleet. We reported lower operating days in 2009 1Q than 2008 4Q, primarily due to early termination of contracts on two drilling rigs operating in 2008 4Q in the United States and continued softening demand in United States drilling markets.

**Management's Discussion and Analysis ("MD&A")**  
**For the three months ended March 31, 2009**  
*(\$ thousand, except where noted)*

**Results of Operations**

**Revenue**

	2009 Mar 31	2008 Mar 31	% Change
Total revenue	22,914	12,335	86
Operating days	803	579	39
Revenue per operating day	28.5	21.3	34
Rig utilization (percentage)	56	74	(24)

At March 31, 2009, Xtreme Coil's fleet consisted of 16 rigs (2008 1Q – 11 rigs). As we ramped up construction, commissioning and deployment of new drilling rigs during 2008, operating days and revenue increased. During 2009 1Q, we had a greater proportion of our larger rigs operating. Larger rigs generally produce higher day rates, which also contributed to increased revenue per day.

For 2009 1Q, total revenue and revenue per operating day increased year-over-year but declined from 2008 4Q. The increase was a direct result of increased operating days and the higher average revenue per day earned by rigs under contract. In contrast, lower 2009 1Q revenue reflected lower operating days and rig utilization than 2008 4Q by 15 percent and 18 percent, respectively. This resulted from both the 2008 4Q contract termination fee for two rigs and the softening of the United States drilling markets discussed previously. Management's response to these conditions is to continue efforts to deploy an increasing number of rigs into the México market as discussed elsewhere herein.

Total revenue is generally related to operating days. Most of Xtreme Coil's revenue is denominated in United States dollars ("USD"). During 2009 1Q, the USD increased relative to the CAD as compared to 2008 1Q and 2008 4Q which contributed to the increase in revenue due to foreign exchange gain.

We anticipate the continued operation of the current eight rigs in México and three rigs in the United States under long-term contracts will contribute to revenue stability during 2009. Xtreme Coil believes demand for services in México during 2009 will remain strong as the country focuses on developing existing hydrocarbon reserves to replace historic declines in production rates. As discussed previously, Xtreme Coil has accepted an LOI to commit two additional rigs under long-term contract which are anticipated to begin deploying from Texas to México once contracts are completed and mobilization logistics begin. The rigs under the LOI are expected to commence operations in 2009 3Q.

In response to weaker drilling market conditions in the United States, management intends to continue to market what we believe are the advantages of our newer and efficient fleet of COTD™ drilling rigs. Xtreme Coil is aggressively marketing to existing customers as well as increasing efforts to secure business from a broader range of potential customers. In addition, we are actively pursuing energy projects in international regions including the Middle East, northern Africa, eastern Europe and Asia Pacific where we believe there is potential to secure contracts involving several of our rigs which would result in higher utilization and revenue. Successful marketing on any of these fronts would have a positive effect on future rig utilization and revenue.

**Operating Expenses**

	2009 Mar 31	2008 Mar 31	% Change
Operating expenses	14,618	8,914	64
Operating expenses (percentage of revenue)	64	72	(11)
Operating expenses per operating day	18.2	15.4	18

The increase in operating expenses year-over-year primarily reflects the higher number of drilling rigs in service and the higher number of operating days generated. In 2009 1Q, the weighted average number of drilling rigs in service was 16 rigs (2008 1Q – 11 rigs). Operating expenses as a percentage of revenue during 2009 1Q decreased, primarily due to the significant increase in average revenue per operating day over the comparative period. The 2009 1Q improvement was partially offset by increased operating expenses per day resulting from fuel costs incurred by our drilling rigs in México and the additional infrastructure required to support operations in México.

The increase in the USD relative to the CAD during 2009 1Q versus 2008 1Q also contributed to higher total operating expenses, since a large portion of operating expenses are denominated in USD.

**Management's Discussion and Analysis ("MD&A")**  
**For the three months ended March 31, 2009**  
*(\$ thousand, except where noted)*

Compared to 2008 4Q, operating expenses per day decreased primarily due to reduced expenses associated with mobilization of rigs to México during 2008 4Q.

**Gross Margin<sup>1</sup>**

	2009 Mar 31	2008 Mar 31	% Change
Gross margin	8,296	3,421	143
Gross margin <i>(percentage of revenue)</i>	36	28	29
Gross margin per operating day	10.3	5.9	75

<sup>1</sup> see Non-GAAP measures

For 2009 1Q, gross margin improved primarily as a result of the increased number of operating days. In addition, as revenues and operating days have increased, we have achieved economies of scale which improves gross margin.

Compared to 2008 1Q, the increase in the USD relative to the CAD in 2009 1Q contributed to higher gross margins since the positive effect of the revenues denominated in USD is greater than the negative effect of the higher expenses denominated in USD.

Gross margin for 2009 1Q compared to 2008 4Q was slightly lower primarily due to fewer operating days.

**Selling, General and Administration Expense ("SG&A")**

	2009 Mar 31	2008 Mar 31	% Change
SG&A	2,109	1,168	81
SG&A <i>(percentage of revenue)</i>	9	9	-

For the three months ended March 31, 2009, SG&A was higher primarily due to development of administrative infrastructure to support expanded international operations, including the establishment of operations in México and an office in Houston, Texas.

SG&A was lower in 2009 1Q compared to 2008 4Q, primarily as a result of the higher provision for doubtful accounts recorded in 2008 4Q.

**Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")<sup>1</sup>**

	2009 Mar 31	2008 Mar 31	% Change
EBITDA	6,187	2,253	175

<sup>1</sup> see Non-GAAP measures

For 2009 1Q, the increase in EBITDA was a result of higher day rates, increased operating days, and the effect of a stronger USD. EBITDA for 2009 1Q was five percent lower than 2008 4Q primarily due to fewer operating days, partially offset by lower SG&A expenses.

**Depreciation and Amortization**

	2009 Mar 31	2008 Mar 31	% Change
Depreciation and amortization	2,849	1,723	65

Depreciation based on a unit-of-production increases generally in proportion to the increase in operating days. For 2009 1Q, the increase in depreciation and amortization is proportionate to the increase in operating days and is primarily due to the increase in equipment engaged in active field operations.

Compared to 2008 4Q, operating days for 2009 1Q were lower and depreciation increased. The increase in depreciation reflects the larger, more expensive rigs, with higher depreciable bases that contributed a larger proportion of operating days in 2009 1Q.

**Management's Discussion and Analysis ("MD&A")**  
**For the three months ended March 31, 2009**  
*(\$ thousand, except where noted)*

**Stock-based Compensation**

	2009 Mar 31	2008 Mar 31	% Change
Stock-based compensation	241	148	63

For 2009 1Q, stock-based compensation increased as the board of directors responded to growth in Xtreme Coil's operations in the United States and México by granting options to purchase common shares to new employees.

Compared to 2008 4Q, stock-based compensation for 2009 1Q decreased due to staff reductions in the United States associated with lower activity levels.

**Foreign Exchange**

	2009 Mar 31	2008 Mar 31	% Change
Foreign exchange gain (loss)	(914)	262	(449)

Foreign exchange gain or loss results primarily from a translation of the portion of revolving debt denominated in USD. The loss in 2009 1Q compared to the gain realized in 2008 1Q is related to the increased value of the USD in relation to the CAD.

As discussed elsewhere in this MD&A, Xtreme Coil commenced operations in México during 2008, thereby introducing exposure to another foreign currency. A portion of revenue generated and expenses incurred by our operations in México is denominated in MXN. However, overall, the majority of revenue generated by Xtreme Coil is denominated in USD.

Compared to 2008 4Q, in 2009 1Q the CAD decreased relative to the USD and increased relative to the MXN. All three currencies were volatile throughout 2008 3Q and 2008 4Q.

**Interest Expense and Income**

	2009 Mar 31	2008 Mar 31	% Change
Net interest expense	1,003	595	69

During 2008, Xtreme Coil drew on its credit facilities primarily to continue construction of drilling rigs which totalled 16 at December 31, 2008, as well as to provide cash for ongoing operating requirements and to establish operations in México.

Interest expense for 2009 1Q was higher than 2008 1Q due to increased debt related to the construction of rigs and to expansion of operations.

Compared to 2008 4Q, net interest expense decreased in 2009 1Q to \$1,003 (2008 4Q – \$1,212) as a result of decreased average debt levels subsequent to suspension of rig construction and stable operations in México. Interest rates were lower in 2009 1Q than in 2008 4Q.

**Income Before Tax**

	2009 Mar 31	2008 Mar 31	% Change
Income before tax	1,180	532	122

For 2009 1Q, income before tax grew primarily as a result of Xtreme Coil's transition from a building phase to an operating phase.

Compared to 2008 4Q, income before tax in 2009 1Q decreased to \$1,180 (2008 4Q – \$3,341). The decrease was primarily due to 2008 4Q recognition of mobilization revenue related to moving rigs to México and additional revenue related to early termination of drilling contracts.

**Management's Discussion and Analysis ("MD&A")**  
**For the three months ended March 31, 2009**  
*(\$ thousand, except where noted)*

**Income Tax**

	2009 Mar 31	2008 Mar 31	% Change
Income tax (expense) recovery	1,199	(36)	(3,431)

An income tax recovery in 2009 1Q compares to an income tax expense in both 2008 1Q and 2008 4Q primarily due to a tax benefit recorded in 2009 1Q to reflect new information supporting the applicability of a lower tax rate related to the sale of some of our drilling equipment to a foreign subsidiary.

**Net Income (Loss)**

	2009 Mar 31	2008 Mar 31	% Change
Net income (loss)	2,379	496	380

The large increase in net income in 2009 1Q compared to 2008 1Q primarily reflects the combination of increased operating income from expanded operations and the significant tax recovery recorded in 2009 1Q discussed above.

**Financial Condition, Liquidity and Capital Resources**

<i>(\$ million)</i>	2009 Mar 31	2008 Dec 31	% Change
Long-term liabilities	44.7	49.1	(9)
Less: working capital (deficit)	6.7	6.2	8
Net debt <sup>1</sup>	38.0	42.9	(11)

<sup>1</sup> see Non-GAAP measures

**Capital Expenditures and Commitments**

<i>(\$ million)</i>	2009 Mar 31	2008 Mar 31	% Change
Capital expenditures	2.0	11.0	(82)
Commitments	3.2	12.8	(75)

Capital expenditures were lower in 2009 1Q compared to both 2008 1Q and 2008 4Q. Seven rigs were under construction in 2008 1Q. In 2008 4Q, we completed 16 rigs and temporarily suspended work to build the final two rigs in our first phase of rig construction, as discussed elsewhere in this MD&A. Capital spending in 2009 1Q was primarily related to the purchase of replacement equipment and spare components for operating rigs as well as expenses for moving two rigs from the United States to México.

Compared to 2008 4Q, working capital remained essentially unchanged, despite classifying more of the revolving debt as current at March 31, 2009. The decrease in long-term debt during the same period is primarily the result of this reclassification.

Xtreme Coil expects to continue to achieve positive cash flow from operating activities provided at least eight of the current 16 drilling rigs continue operations (nine were operating at March 31, 2009 and two were being mobilized under a long-term contract in México). Any additional work undertaken by the remaining five rigs would further strengthen future cash flow from operating activities.

Xtreme Coil has forecasted results for 2009 using our best estimates of conditions in the areas we are presently operating. These forecasts are based on maintaining existing contracts and successfully achieving utilization objectives for our rigs. Based on this forecast, we expect to generate sufficient cash flow from operating activities to fund operations and the limited capital expenditures for which we have commitments. Xtreme Coil currently expects to utilize any additional available cash flow from operating activities to reduce debt or to fund future capital requirements.

Following the 2008 3Q announced temporary suspension in rig construction, we expect capital expenditures in the near term will be much lower than in comparative periods. During 2009 2Q, we expect to incur some capital expenditures to complete preparations to move the four additional rigs from the United States and to prepare them for operations in México. Management expects to fund these expenditures and other commitments primarily from current cash flow from operating activities and existing cash on hand.

**Management's Discussion and Analysis ("MD&A")**  
**For the three months ended March 31, 2009**  
*(\$ thousand, except where noted)*

During 2008 2Q, Xtreme Coil entered into an agreement for credit facilities with its existing lender and another lender on a syndicated basis. The credit facilities include a \$15,000 operating loan facility and a revolving extendible facility, initially set at \$70,000 which reduced as scheduled to \$60,000 at December 31, 2008. The credit facilities require Xtreme Coil to maintain certain financial covenants. At December 31, 2008 and at March 31, 2009, Xtreme Coil was not in compliance with two of these covenants related to funded debt to EBITDA and interest coverage. The syndicate provided waivers with regard to covenant non-compliance for twelve months following the respective balance sheet dates of non-compliance.

At December 31, 2008, the Corporation had drawn \$59,206 on the revolving extendible facility and \$7,878 on the operating loan facility. At March 31, 2009 Xtreme Coil had drawn \$59,658 on the revolving extendible facility and \$10,842 on the operating loan facility.

Xtreme Coil maintains ongoing communication to maintain its working relationship with its banking syndicate and believes the syndicate is in sound financial condition. Management believes Xtreme Coil's relationship with the banking syndicate will continue. We are in the process of negotiating renewal of Xtreme Coil's credit facilities. Management expects the accounts receivable-supported \$15,000 operating loan facility will be renewed and the \$60,000 revolving extendible facility will be converted to a term loan with principal repayments amortized over five years.

As Xtreme Coil's operations continue to expand in México during 2009, management expects to continue to generate improved cash flow from operating activities. Management anticipates cash on hand, together with cash flow generated from operating activities, will be sufficient to support ongoing operating requirements and capital expenditures.

This table summarizes Xtreme Coil's contractual obligations as at March 31, 2009.

**Payments due by period**

<b>Contractual Obligations</b>	<b>Total</b>	<b>Less than 1 Year</b>	<b>1 – 3 Years</b>	<b>4 – 5 years</b>
Capital lease obligations	88	57	31	–
Operating leases	2,639	904	1,233	502
Revolving credit facility	59,658	14,915	39,772	4,971
Operating facility	10,842	10,842	–	–
Commitments	3,161	3,161	–	–
<b>Total contractual obligations</b>	<b>76,388</b>	<b>29,879</b>	<b>41,036</b>	<b>5,473</b>

This table is prepared with a repayment schedule applicable only if the lenders did not renew the facility. Interest payments are not included in the table. Management believes cash flow from operating activities and amounts available under our credit facilities will be sufficient to fund payments due in less than one year.

**Segmented Information**

This table summarizes results of operations for Xtreme Coil's three geographic operating segments of Canada, México and the United States.

<b>Revenue</b>	<b>2009 Mar 31</b>	<b>2008 Mar 31</b>
Canada	–	2,442
United States	7,053	9,893
México	15,861	–
<b>Total</b>	<b>22,914</b>	<b>12,335</b>

**Management's Discussion and Analysis ("MD&A")**  
**For the three months ended March 31, 2009**  
*(\$ thousand, except where noted)*

**Outstanding Common Shares**

As of March 31, 2009, Xtreme Coil had outstanding options to purchase 2,865,000 common shares (2008 1Q – 2,054,000) at a weighted average exercise price of \$5.66 per share (2008 1Q – \$4.67).

Share capital on May 8, 2009 was \$207,462 and 40,726,169 common shares were issued and outstanding. Additionally, Xtreme Coil has outstanding purchase warrants entitling the holder to purchase a total of 1,000,000 common shares and options to purchase 3,582,000 common shares.

**Subsequent Events**

At March 31, 2009, Xtreme Coil was not in compliance with certain of the covenants related to interest coverage and funded debt to EBITDA ratios on its credit facilities. The lending syndicate which holds these loans issued a waiver which is effective through March 31, 2010 regarding these non-compliance events.

Subsequent to 2009 1Q, the 700,000 performance warrants issued on May 1, 2008 expired on May 1, 2009, since the holder was not able to meet the vesting criteria. The warrant holder continues to hold 1,000,000 purchase warrants exercisable at \$9.87 per warrant at any time until May 1, 2010

In late April 2009, Xtreme Coil moved Rig #6 into México en route to its initial drilling location in the Chicontepec area. We expect this rig will commence operations in May. Rig #7 has moved into México in early May and is expected to commence operations in late May.

**Disclosure Controls and Procedures and Internal Controls over Financial Reporting**

The Chief Executive Officer and Chief Financial Officer (the "certifying officers") are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") for the Company, in accordance with the requirements of Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*.

Xtreme Coil's certifying officers cannot guarantee the Company's DC&P and ICFR will prevent all error and all fraud. A control system, no matter how well-designed and implemented, can provide only reasonable assurance of meeting the control system's objectives. Such controls must also consider the benefits of controls in relation to the cost of such controls. Due to the inherent limitations in any control systems, no evaluation of controls can absolutely assure detection of all control issues within a company. Inherent limitations include the potential for faulty judgments in decision-making, and the occurrence of breakdowns resulting from simple errors and mistakes. Individual acts by some persons, or collusion by two or more people, can circumvent controls and management can override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

DC&P are intended to provide reasonable assurance the Company will disclose required information, in accordance with regulatory reporting requirements, within the time periods specified. As at March 31, 2009, the certifying officers have evaluated the design and effectiveness of the Company's DC&P. Based on their evaluation, they have concluded DC&P for Xtreme Coil are designed and operating effectively to provide reasonable assurance material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities in a timely manner.

ICFR are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with Canadian GAAP. As at March 31, 2009, the certifying officers have evaluated the design and effectiveness of the Company's ICFR. Based on their evaluation, they have concluded ICFR for Xtreme Coil are effective, but there are control deficiencies discussed below.

Xtreme Coil has a limited number of staff distributed among several geographically-dispersed locations. This has created situations where it is not feasible to achieve complete segregation of duties. Also, due to the limited number of staff in different locations, Xtreme Coil does not have a sufficient number of finance personnel with all of the technical accounting knowledge to address all non-routine accounting transactions that may arise, particularly where expertise in specific-country regulations, including taxation, is required.

**Management's Discussion and Analysis ("MD&A")**  
**For the three months ended March 31, 2009**  
*(\$ thousand, except where noted)*

Management works to mitigate the risk resulting from these deficiencies by emphasizing the oversight and diligence of the certifying officers and Corporate Controller to ensure minimization of the risk of a misstatement resulting from this deficiency. In addition, the Company has engaged the services of qualified taxation and other consultants, as necessary, to assist with certain complex and non-routine accounting transactions that may arise. Further, Xtreme Coil has centralized the accounting function for its United States and Canadian operations in the Casper, Wyoming office.

No change to Xtreme Coil's internal control over financial reporting occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, Xtreme Coil's ICFR.

**Non-GAAP Measures**

Xtreme Coil uses both GAAP and non-GAAP measures to assess performance and provides non-GAAP measures as supplemental information to investors. 'Operating days', 'utilization', 'gross margin' and 'EBITDA' do not have standardized meanings prescribed by GAAP. Xtreme Coil's method of calculating operating days, rig utilization, gross margin and EBITDA may differ from methods used by other companies and may not be comparable to measures used by others.

*Operating Days*

Operating days represent the total of all drilling, moving, standby and other revenue days in the period. Management uses operating days to measure rig utilization which quantifies the revenue-generating activity of the fleet of drilling rigs.

*Rig Utilization*

Xtreme Coil calculates rig utilization as operating days divided by total days after drilling rigs commence initial field operations.

*Gross Margin*

Gross margin represents the revenue minus operating expenses. Management believes gross margin is a useful supplemental measure of the financial performance of our principal business activities before considering how activities are financed or taxed, as well as other expenses not closely associated with activity levels.

*EBITDA*

EBITDA is defined as earnings before interest, taxes, depreciation and amortization, stock-based compensation, foreign exchange gains or losses and gains or losses on sale of equipment. Management believes EBITDA is a useful supplemental measure of the financial performance of Xtreme Coil's principal business activities before considering how activities are financed or taxed, and before the impact of stock-based compensation, foreign exchange rate fluctuations or sales of equipment.

*Net Debt*

Net debt is used by management and the investment community to analyze the amount of debt less the working capital of the Company.

**Critical Accounting Estimates**

The preparation of consolidated financial statements, in conformity with Canadian GAAP, requires management to make estimates and assumptions that affect the results of operations and financial position. By their nature, these judgments are subject to an inherent degree of uncertainty and are based on historical experience, trends in the industry and information available from outside sources. Management reviews these estimates on an ongoing basis. Different accounting policies, or changes to estimates or assumptions could potentially have a material effect, positive or negative, on Xtreme Coil's financial position and results of operations. Actual results could differ from those reported.

**Management's Discussion and Analysis ("MD&A")**  
**For the three months ended March 31, 2009**  
*(\$ thousand, except where noted)*

*Recoverable amounts for equipment and intangible assets*

The carrying value of equipment and intangible assets is periodically reviewed for impairment or whenever events or changes in circumstances indicate their carrying amounts may not be recoverable. This requires Xtreme Coil to forecast future cash flows to be derived from the utilization of these assets based upon assumptions about future business conditions and technological developments. Significant, unanticipated changes to these assumptions could require a provision for impairment in the future. During 2009 1Q, Xtreme Coil made no adjustments to the carrying value of these assets.

*Depreciation*

The accounting estimate with a large impact on financial results is depreciation and amortization. Depreciation incorporates estimates of useful lives and residual values of Xtreme Coil's capital assets. These estimates may change as we obtain more experience or as general market conditions change and we analyse the impact on Xtreme Coil's operations and capital assets.

*Goodwill*

Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets purchased. Goodwill is not subject to amortization, but is tested for impairment at least annually by applying a fair value based test. Any goodwill impairment will be recognized as an expense if the carrying amount of the goodwill exceeds its fair value. Xtreme Coil tested goodwill for impairment at December 31, 2008 and no impairment was determined. Further, no information has come to management's attention as of March 31, 2009 which would alter our assessment of the year end testing. Goodwill is allocated to operations in México.

*Stock-based compensation*

Compensation expense associated with options to purchase common shares at their grant date are estimates based on various assumptions such as volatility, risk-free interest and expected life using the Black-Scholes methodology to produce an estimate of the fair value of such compensation.

*Allowance for doubtful accounts receivable*

Xtreme Coil assesses the credit worthiness of customers and grants credit based on past payment history, financial conditions and anticipated industry conditions. We monitor customer payments regularly and establish a provision for doubtful accounts based on the specific situation and overall industry conditions. The cyclical nature of the oil and natural gas industry can cause credit risk to change suddenly and without notice.

*Future tax recovery*

Xtreme Coil uses the liability method which takes into account the differences between financial statement treatment and tax treatment of certain transactions, assets and liabilities. Future tax assets are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Valuation allowances are established to reduce future tax assets when it is more likely than not that some portion or all of the asset will not be realized. Estimates of future taxable income and ongoing tax planning arrangements have been considered in assessing the utilization of available tax losses. Changes in circumstances and assumptions may require changes to the valuation allowances associated with Xtreme Coil's future tax assets.

*New accounting pronouncements*

*– International Financial Reporting Standards*

The Canadian Accounting Standards Board confirmed in 2008 the requirement for publicly accountable enterprises to use International Financial Reporting Standards ("IFRS") in 2011. The Company will need to begin reporting under IFRS in the first quarter of 2011 with comparative data for the prior year. IFRS uses a conceptual framework similar to Canadian GAAP, but could need to address significant differences in recognition, measurement and disclosures. Education sessions have been, and will continue to be, provided for employees, senior management and the Audit Committee to increase knowledge and awareness of IFRS and its impacts. The Company has also engaged an external expert advisor.

**Management's Discussion and Analysis ("MD&A")**  
**For the three months ended March 31, 2009**  
*(\$ thousand, except where noted)*

The Company is also evaluating the potential impact of IFRS on financial covenants, business contracts and internal controls over financial reporting. Since a number of IFRS standards are changing, the Company will continue to assess the impact of the proposed standards on its consolidated financial statements and disclosure as additional information becomes available and cannot make a reasonable determination of financial impacts at this time. Based on initial assessments, the Company has identified property, plant and equipment and employee benefits as likely to have the greatest potential impact on the Company's accounting. There will be a significant amount of effort needed to comply with the IFRS requirements for initial adoption of IFRS. In 2009, the Company will complete a more detailed analysis and evaluation of the financial impact of the issues identified in the assessment and diagnostic phases as well as the impact on, and implementation of, financial reporting computer systems.

*– Future accounting standards*

In February 2008, the CICA approved Handbook section 3064 *Goodwill and Intangible Assets*, replacing previous guidance. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to the initial recognition. These recommendations are effective for the Company beginning January 1, 2009. Goodwill and intangible assets that were not assets as defined by GAAP were derecognized and charged to the Company's equity at that date. The adoption of these recommendations did not have a material impact on the Xtreme Coil's earnings or assets.

**Critical Accounting Policies**

*Change in Accounting Policy – Foreign Exchange Reporting of Subsidiaries*

Prior to January 1, 2009, Xtreme Coil accounted for its subsidiaries in the U.S. and México as integrated for the purposes of reporting gains and losses on foreign currency transactions. As more fully discussed in Note 3 of the Notes to the Unaudited Consolidated Financial Statements, we began accounting for these operations a self-sustaining as of January 1, 2009. As a result of this change of accounting policy, Xtreme Coil has recognized a total of \$35,001 in Accumulated Other Comprehensive Income (\$8,513 for the three months ended March 31, 2009 and \$26,488 in the periods prior to January 1, 2009).

*Depreciation*

Xtreme Coil depreciates drilling rigs using a unit-of-production method based on a useful life of 5,000 drilling days with an estimated residual value of 20 percent of historical cost. We considered several alternative methods of depreciation including straight-line and declining balance. We believe the unit-of-production method of depreciation we apply to drilling equipment which recognizes usage of equipment is the most appropriate basis for allocating the amortizable value over its useful life.

Xtreme Coil depreciates drill pipe on a straight-line basis over eight years. We considered other alternatives including unit-of-production. Because we expect to drill the majority of our wells using coiled tubing rather than conventional jointed pipe, we believe our drill pipe may last longer than drill pipe used by most conventional drilling companies. For Xtreme Coil's operations, the straight-line depreciation method is appropriate.

*Inventory*

Inventory is composed of coiled tubing and parts and is recorded at the lower of cost and net realizable value determined on a first-in, first-out basis.

*Revenue recognition*

Xtreme Coil generally provides services under contracts with customers that include a fixed or determinable price based upon daily rates. We recognise revenue when services are rendered.

**Management's Discussion and Analysis ("MD&A")**  
**For the three months ended March 31, 2009**  
*(\$ thousand, except where noted)*

**Seasonality of Operations**

Areas of the United States where Xtreme Coil has drilling operations are infrequently subject to weather constraints like hurricanes in the southern states and may also experience operations restrictions for a variety of other reasons. Some areas are subject to environmental orders which include specific well leases and can prevent drilling activity during certain periods when authorities prioritize wildlife or habitat protection. These restrictions may also affect activity levels and operating results.

In the region of México where Xtreme Coil is currently active, drilling operations can be constrained by certain weather conditions, particularly hurricanes, and excessive heat or rain. These weather conditions may interrupt periods of activity which may affect operating results. On occasion, movement of drilling rigs, as well as goods and services, can be subjected to delays while the authorities negotiate access or settle local disputes.

Currently, Xtreme Coil does not have field operations in Canada where seasonal weather conditions can restrict drilling operations.

**Business Risks and Uncertainties**

A number of risks and uncertainties affect Xtreme Coil's operations. Although the Company takes actions to mitigate some of these risks, many risks are beyond management's control. The risks discussed in this section do not constitute an exhaustive list of all possible risks.

*Foreign exchange* – Foreign exchange volatility may create gains or losses which have an effect on Xtreme Coil's financial results. Xtreme Coil reports all activities in CAD. Most of our contracts are denominated in USD or in MXN and those currency rates of exchange to CAD fluctuate. Xtreme Coil is exposed to risk from fluctuations in foreign currency exchange rates in the United States and México where it operates rigs. Xtreme Coil translates revenue and expenses denominated in USD and México pesos into CAD during the reporting period. Monetary and non-monetary assets and liabilities denominated in foreign currencies are translated at the current rate as of the balance sheet date and any realized foreign exchange gains or losses are included in income, except for unrealized gains and losses in self-sustaining foreign subsidiaries, which are recorded in Other Comprehensive Income.

*Interest rate* – Xtreme Coil is exposed to interest rate risk to the extent changes in market interest rates can impact operating and revolving credit facilities which have a floating interest rate. For the quarter ended March 31, 2009, an increase or decrease of one percent in the effective interest rate would have changed net income by approximately \$179.

*Credit risk* – Xtreme Coil is exposed to credit risk in relation to its accounts receivable which includes balances owing from customers primarily operating in the oil and natural gas industry. Management assesses credit worthiness of customers on an ongoing basis, as well as their ability to remit amounts owing to Xtreme Coil in accordance with standard industry practices, and considers the credit risks on these amounts as normal for the industry. Xtreme Coil is exposed to significant concentration of credit risk because the majority of accounts receivable balances are with a small group of customers (*Note 17 – Segmented information*).

Xtreme Coil accounts receivable is recorded net of a provision of \$506 (2008 – \$494).

The following table summarizes the Xtreme Coil's accounts receivable amounts which management does not consider impaired.

<b>Accounts receivable</b>	<b>2009 Mar 31</b>	<b>2008 Dec 31</b>
<b>Receivables less than 90 days</b>	<b>\$ 25,347</b>	<b>\$ 22,427</b>
<b>Receivables greater than 90 days</b>		
<b>(for which no provision is considered necessary)</b>	<b>6,045</b>	<b>4,864</b>
	<b>\$ 31,392</b>	<b>\$ 27,291</b>

**Management's Discussion and Analysis ("MD&A")**  
**For the three months ended March 31, 2009**  
*(\$ thousand, except where noted)*

*Liquidity risk* – Liquidity risk relates to risks Xtreme Coil may encounter in meeting obligations associated with financial liabilities and commitments. Since inception, Xtreme Coil entered into credit and equity financing arrangements sufficient to fund working capital requirements and complete its rig construction program through the completion of 16 rigs and the elective temporary suspension of two additional rigs under construction. Xtreme Coil anticipates the current level of financial capacity derived from cash on hand, cash from operations and availability under its credit facilities will be sufficient to fund ongoing operations and working capital needs. While the Company has, on occasion, not met certain covenants, it has obtained the necessary waivers regarding non-compliance from the lending syndicate of Canadian financial institutions. In the near term, management expects capital expenditures will be minimal due to the temporary suspension of Xtreme Coil's new rig construction program. Management anticipates cash flow from operating activities will continue to be positive and anticipates collection of its accounts receivable will continue to occur in direct relation to revenue generation. We will continue to utilize available cash to pay down debt.

*Proprietary technologies* – Integral to Xtreme Coil's equipment design and operation are certain technologies which require proving in actual field operations. We cannot assure the current and future applications for Xtreme Coil's proprietary technology nor the effectiveness of these technologies in field operations. Competing technologies could prove more effective than those developed and used by Xtreme Coil. In addition, patents applied-for may not be issued.

*Demand for contract drilling services* – Demand for Xtreme Coil's COTD™ contract drilling services depends on the level of oil and natural gas industry activity which also influences the potential to extend or continue existing long-term contracts. Volatility in short-term drilling activity can result in revenue unpredictability. Numerous factors over which Xtreme Coil has no control influence industry activity including, but not limited to, fluctuations in crude oil and natural gas prices, changes in supply or demand for commodities, competition from other drilling contractors, government legislation, regulatory and economic conditions, global political and military events, international trade barriers, location access or labour disputes, as well as fuel and environmental conservation or incidents.

*Vendor services and supplies* – Xtreme Coil's contract drilling services may incur risk or interruption of ongoing access to key supplies, including fuel, which could impair the ability to continue to operate equipment. During periods in which drilling assets are under construction Xtreme Coil depends on suppliers to deliver equipment on schedule and to meet required quality standards. Potential issues such as poor quality standards from suppliers or failure of suppliers in any aspect of construction programs have the potential to severely impact Xtreme Coil's operating activities, financial performance, reputation and retention of customers.

*Performance of equipment and employees* – Xtreme Coil's financial and operating results are dependent on continued successful performance of drilling rigs and related equipment and the continued operation of the existing fleet without additional significant capital expenditures. Xtreme Coil's ability to expand contracted drilling and related services depends on successful recruitment and retention of qualified personnel, when needed. Any unexpected loss of Xtreme Coil's key personnel, or inability to retain or recruit skilled personnel, could have an adverse effect on Xtreme Coil's business, results of operations and financial performance.

## **Outlook**

The general economic uncertainty and recession continued in 2009 1Q with the rig count dropping dramatically in both the United States and Canada compared to one year ago. Credit and equity markets continue to exhibit historically high levels of volatility and access to these markets remains constrained.

We expect the current lower drilling activity in the United States and Canada will continue throughout 2009 which will result in a depressed spot drilling market. The México drilling market has experienced an increase in activity in 2009 1Q, with three additional tenders issued for substantial drilling projects. An Xtreme Coil key customer was awarded one of the tenders and, subsequently, we expect they will increase their activity level.

**Management's Discussion and Analysis ("MD&A")****For the three months ended March 31, 2009***(\$ thousand, except where noted)*

In 2009 1Q, Xtreme Coil entered a contract for two additional rigs to operate in México under similar terms to the six rigs currently operating in that region under long-term contracts. As discussed previously, mobilization of these rigs began in April and May, subsequent to modifications required for the contract. We expect these two rigs will commence operations and become revenue productive in 2009 2Q.

In May 2009, Xtreme Coil accepted a new letter of intent requesting mobilization of the two XTC 200DT<sup>Plus</sup> rigs in Texas to México to operate under long-term contract, with operations intended to commence in 2009 3Q. After contracts and mobilization are completed for these two further drilling rigs, Xtreme Coil expects to have ten drilling rigs based in the Chicontepec development project in the state of Veracruz.

Xtreme Coil will continue to market rigs in México where we believe drilling opportunities will remain robust. Additionally, we believe there are opportunities in the Middle East, northern Africa, eastern Europe and Asia Pacific. Generally, these regions have not seen the erosion in drilling demand that the United States and Canada have experienced.

Xtreme Coil currently has eleven of sixteen rigs operating under long-term contracts. We expect this will improve our operating days in 2Q 2009 compared to 2009 1Q. We did not win any contracts on the spot drilling market in 2009 1Q. Although rig utilization and operating days declined somewhat in 2009 1Q compared to 2008 4Q, we anticipate the commencement of operations for the two rigs under the new long-term contract in México in 2009 2Q will contribute to improved cash flow from operating activities during the remainder of 2009. As stated previously, two further rigs expected to be contracted soon are anticipated to begin operations in 2009 3Q. We have not experienced significant changes in our operational cost structure and thus expect gross margin levels will remain steady throughout 2009 2Q.

Xtreme Coil believes the drilling market in México will remain strong during 2009. It is likely additional tenders will be made available to companies who are potential customers for Xtreme Coil rigs. We continue to aggressively pursue these opportunities. The possibility exists for pricing erosion which may begin to develop for new contracts, given the increasing visibility of the market downturn in the United States and Canada. Management believes Xtreme Coil's differentiating technology will provide some remedial support as we work to respond to any possible pricing pressure.

During 2009, Xtreme Coil will continue to pursue strategic opportunities and contracts outside of North America in response to interest generated from discussions initiated during 2008 in several international drilling regions for projects to which our COTD<sup>TM</sup> drilling rigs are well-suited.

**Additional Information**

Information relating to Xtreme Coil is available on SEDAR at [www.sedar.com](http://www.sedar.com). To obtain copies of published corporate information, contact Xtreme Coil Drilling Corp., 1402, 500 Fourth Avenue SW, Calgary, AB T2P 2V6 (telephone 403.262 9500), visit Xtreme Coil's website [www.xtremecoildrilling.com](http://www.xtremecoildrilling.com) or e-mail [ir@xtremecoil.com](mailto:ir@xtremecoil.com).

**Xtreme Coil Drilling Corp.**  
**Consolidated Balance Sheets**

(\$ thousand)  
(unaudited)

	2009 Mar 31	2008 Dec 31
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,844	\$ 2,010
Accounts receivable (Notes 4 and 12)	31,392	27,291
Other receivables (Note 5)	6,123	7,966
Prepaid expenses	1,109	1,218
Inventory (Note 6)	2,035	1,045
	43,503	39,530
<b>Future income tax</b>	4,744	4,966
<b>Equipment</b> (Notes 3 and 7)	271,366	238,345
<b>Intangible assets</b> (Note 8)	4,855	4,923
<b>Goodwill</b>	1,630	1,630
	\$ 326,098	\$ 289,394
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Bank indebtedness (Note 10)	10,842	7,878
Accounts payable and accrued liabilities	10,994	14,215
Income tax payable	35	1,354
Current portion of obligations under capital leases	53	75
Current portion of long-term debt (Note 10)	14,915	9,825
	36,839	33,347
<b>Long-term liabilities</b>		
Obligations under capital leases	35	35
Long-term debt (Note 10)	44,633	49,105
	44,668	49,140
<b>Shareholders' equity</b>		
<b>Share capital</b> (Note 11)	207,462	207,462
<b>Warrants</b>	1,630	1,630
<b>Contributed surplus</b> (Note 11b)	3,757	3,453
<b>Deficit</b>	(3,259)	(5,638)
<b>Accumulated other comprehensive income</b>	35,001	—
	244,591	206,907
	\$ 326,098	\$ 289,394
<b>Commitments and contingencies</b> (Note 14)	—	

See accompanying notes to the consolidated financial statements

**Xtreme Coil Drilling Corp.**  
**Consolidated Statement of**  
**Income and Retained Deficit**  
*(\$ thousand, except share and per share data)*  
*(unaudited)*

	Three months ended 2009 Mar 31	Three months ended 2008 Mar 31
<b>Revenue</b>	<b>\$ 22,914</b>	<b>\$ 12,335</b>
<b>Expenses</b>		
Operating expenses	14,618	8,914
Selling, general and administrative	2,109	1,168
Depreciation of capital assets	2,779	1,655
Amortization of intangibles	70	67
Stock-based compensation	241	148
Foreign exchange loss (gain)	914	(262)
(Gain) on sale of equipment	–	(482)
Interest on long-term debt and capital leases	1,003	595
<b>Net income before tax</b>	<b>1,180</b>	<b>532</b>
<b>Tax expense (recovery)</b>		
<b>Current</b>	<b>(1,220)</b>	<b>–</b>
<b>Future</b>	<b>21</b>	<b>36</b>
<b>Net income</b>	<b>(1,199)</b>	<b>36</b>
<b>Deficit, beginning of period</b>	<b>(5,638)</b>	<b>(8,379)</b>
<b>Deficit, end of period</b>	<b>\$ (3,259)</b>	<b>\$ (7,883)</b>
<b>Net income per common share – basic</b>	<b>\$ 0.06</b>	<b>\$ 0.01</b>
<b>Net income per common share – diluted</b>	<b>\$ 0.06</b>	<b>\$ 0.01</b>
Weighted average no. of common shares – basic <i>(Note 11d)</i>	40,726,169	34,472,378
Weighted average no. of common shares – diluted <i>(Note 11d)</i>	40,726,169	35,512,765

See accompanying notes to the consolidated financial statements

**Xtreme Coil Drilling Corp.**  
**Consolidated Statements of**  
**Comprehensive Income**  
 (\$ thousand)  
 (unaudited)

	Three months ended 2009 Mar 31	Three months ended 2008 Mar 31
Net income	\$ 2,379	\$ 496
<b>Other comprehensive income</b>		
Unrealized gain on translating financial statements of self-sustaining foreign operations	8,513	-
<b>Comprehensive income</b>	<b>\$ 10,892</b>	<b>\$ 496</b>

See accompanying notes to the consolidated financial statements

**Consolidated Statements of**  
**Accumulated Other Comprehensive Income**  
 (\$ thousand)  
 (unaudited)

	Three months ended 2009 Mar 31	Three months ended 2008 Mar 31
<b>Accumulated other comprehensive income</b>		
<b>- beginning of period</b>	\$ -	\$ -
Impact of translating financial statements of self-sustaining foreign operations on January 1, 2009 (Note 3)	26,488	-
Unrealized gain on translation of foreign operations during the current period (Note 3)	8,513	-
<b>Accumulated other comprehensive income</b>		
<b>- end of period</b>	<b>\$ 35,001</b>	<b>\$ -</b>

See accompanying notes to the consolidated financial statements

**Xtreme Coil Drilling Corp.**  
**Consolidated Statement of Cash Flows**

(\$ thousand)  
(unaudited)

	Three months ended 2009 Mar 31	Three months ended 2008 Mar 31
<b>Cash provided by (used in) operating activities</b>		
Net income for the period	\$ 2,379	\$ 496
Items not affecting cash:		
Depreciation and amortization	2,849	1,723
Stock-based compensation	241	148
Gain on sale of equipment	-	(482)
Amortization of financing cost	166	-
Unrealized foreign exchange loss (gain)	520	(65)
Future income tax expense	21	36
	<b>6,176</b>	<b>1,856</b>
Changes in non-cash operating working capital (Note 16)	<b>(2,508)</b>	<b>(1,754)</b>
	<b>3,668</b>	<b>102</b>
<b>Financing activities</b>		
Proceeds from exercise of options and warrants	-	40
Proceeds from other long term liabilities (Note 9)	-	4,080
Proceeds from (reduction of) long-term debt	(77)	9,000
Proceeds from operating facility	2,964	-
Capital lease payments	(22)	(20)
	<b>2,865</b>	<b>13,100</b>
<b>Investing activities</b>		
Proceeds from sale of equipment	266	-
Proceeds from sale of equipment to joint venture (Note 9)	-	5,873
Purchase of equipment	(2,003)	(10,964)
Increase in intangibles	(2)	(19)
Changes in non-cash working capital relating to capital items (Note 16)	<b>(3,960)</b>	<b>(7,848)</b>
	<b>(5,699)</b>	<b>(12,958)</b>
<b>Increase in cash and cash equivalents during the period</b>	<b>834</b>	<b>244</b>
Cash and cash equivalents, beginning of period	2,010	383
<b>Cash and cash equivalents, end of period</b>	<b>\$ 2,844</b>	<b>\$ 627</b>
<b>Supplemental disclosure of cash flow information</b>		
Interest received	\$ -	\$ 5
Interest paid	837	604
Income tax paid	-	-

See accompanying notes to the consolidated financial statements

**Notes to the Unaudited Consolidated Financial Statements**  
**for the three months ended March 31, 2009**  
*(\$ thousand, except where noted)*

**1. Nature of operations**

Xtreme Coil Drilling Corp. ("Xtreme Coil", the "Corporation") was incorporated May 24, 2005 under the Business Corporations Act of Alberta. Xtreme Coil develops and operates coiled tubing drilling rigs using new patented and patent-pending coil rig designs and technology. On completion of the Coil Over Top Drive<sup>®</sup> ("COTD<sup>TM</sup>") drilling rigs, Xtreme Coil contracts drilling services to oil and natural gas exploration and development companies and international integrated drilling services companies in the United States and México. Xtreme Coil's head office is in Calgary, Alberta, Canada. In the United States, the Corporation has a corporate office in Houston, Texas and field offices in Casper and Cheyenne, Wyoming. In México, Xtreme Coil's operations are managed from a business office and warehouse facilities near Poza Rica in the state of Veracruz.

**2. Significant accounting policies**

***Basis of Presentation***

These unaudited interim consolidated financial statements ("interim statements") are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include only the accounts of Xtreme Coil and its subsidiaries. All subsidiaries are wholly-owned and fully consolidated. Xtreme Coil includes joint venture accounts on a proportionate basis and has eliminated all inter-entity transactions. Except as described below, these interim statements for the three months ended March 31, 2009 follow the same accounting policies and methods as the most recent annual consolidated financial statements ("annual statements"). These interim statements include all adjustments necessary to present fairly the results for the interim period. The disclosures included below are incremental to those included with the annual statements. These interim statements should be read in conjunction with the most recent annual statements and notes included in Xtreme Coil's annual report for the year ended December 31, 2008.

In February 2008, the CICA approved Handbook section 3064, *Goodwill and Intangible Assets*, which replaced previous guidance. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to their initial recognition. These updated standards are effective beginning January 1, 2009. Goodwill and intangible assets not defined as assets by GAAP have been derecognized and charged to equity of the Corporation. The adoption of these updated standards did not have a material impact on the earnings or assets of the Corporation.

**3. Changes in accounting policies and future accounting standard changes**

Following is an overview of accounting standard changes requiring adoption by Xtreme Coil in future years.

*– International Financial Reporting Standards*

The Canadian Accounting Standards Board confirmed in 2008 that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") by 2011. The Corporation will begin preparing its financial statements and related disclosures in accordance with IFRS as of the first quarter of 2011 with comparative data for the prior year. Although the IFRS conceptual framework is similar to Canadian GAAP, Xtreme Coil will be required to address any significant differences in recognition, measurement and disclosures. Education sessions have been, and will continue to be, provided for employees, senior management and the audit committee of the board to increase knowledge and awareness of IFRS and their impact. An external expert has been engaged to advise the Corporation on adoption of IFRS.

The Corporation is also evaluating the potential impact of IFRS on financial covenants, business contracts and internal controls over financial reporting. It is likely that a number of IFRS standards will undergo changes prior to the 2011 adoption date. Therefore, the Corporation will continue to assess the impact of the proposed standards on its financial statements and disclosure as additional information becomes available. Estimates of the financial impact as a result of IFRS adoption cannot be reasonably determined at this time. Based on initial assessments it appears that Standards related to Property, Plant and Equipment will have the greatest potential impact to the Corporation's accounting. A significant amount of effort will be necessary to comply with IFRS requirements for initial adoption. Prior to the end of 2009 the Corporation will complete a more detailed analysis and evaluation of the financial impact of the issues identified related to adoption of the new Standards. Additionally, the impact on the Corporation's financial reporting computer systems will be assessed.

**Notes to the Unaudited Consolidated Financial Statements**  
**for the three months ended March 31, 2009**  
*(\$ thousand, except where noted)*

– Change in Accounting Policies – Foreign Exchange Reporting of Subsidiaries

Prior to January 1, 2009, Xtreme Coil accounted for its subsidiaries in the United States and México as integrated for the purposes of reporting gains and losses on foreign currency transactions. The day-to-day drilling operations of the subsidiaries were financed primarily through borrowings from the Corporation prior to January 1, 2009. The México subsidiary currently operates six rigs generating significant revenues as of January 1, 2009. Two additional rigs in Mexico are expected to begin generating revenue in 2009 2Q. The subsidiary is now generating income sufficient to fund its own operations, thereby eliminating the need for further financing from the Corporation. Similarly, the Corporation's United States subsidiary was operating three rigs as of January 1, 2009 and, as of that date, did not require borrowings from the Corporation to finance its day-to-day operations.

As a result, Xtreme Coil has concluded that the United States and México subsidiaries should be accounted for as self-sustaining operations effective January 1, 2009. The subsidiaries' foreign currency translations have been prospectively changed to the current rate method. Assets and liabilities denominated in United States dollars ("USD") are translated to Canadian dollars ("CAD") at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at the average exchange rate in effect during the period in which the transactions occurred. All gains and losses (both monetary and non-monetary) arising from translation adjustments are now recognized as a separate component of other comprehensive income.

As a result of this change of accounting policy, Xtreme Coil has recognized a total of \$35,001 in Accumulated Other Comprehensive Income (\$8,513 for the three months ended March 31, 2009 and \$26,488 in the periods prior to January 1, 2009).

**4. Accounts receivable**

	2009 Mar 31	2008 Dec 31
	\$ 31,392	\$ 27,291

Accounts receivable include primarily trade receivables which had been recorded net of a provision for doubtful accounts of \$506 as at March 31, 2009 (at December 31, 2008 – \$494).

**5. Other receivables**

	2009 Mar 31	2008 Dec 31
	\$ 6,123	\$ 7,966

Other receivables reflect net Value Added Tax amounts receivable from the Government of México, primarily related to the importation of Xtreme Coil's rigs into México during 2008. The Corporation expects to recover these amounts in full during 2009.

**6. Inventory**

	2009 Mar 31	2008 Dec 31
Coiled tubing and parts inventory	\$ 2,035	\$ 1,045

Coiled tubing and parts inventories are carried at the lower of cost or net realizable value and valued on a specific item basis. Cost includes the purchase price plus costs related to transportation and handling.

The amount of inventory recognized in operating expenses during 2009 1Q was \$301 (2008 1Q – \$76).

**7. Equipment**

	2009 Mar 31			2008 Dec 31
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office and shop equipment	\$ 4,755	\$ (763)	\$ 3,992	\$ 3,426
Leasehold improvements	66	(38)	28	31
Vehicles	2,164	(689)	1,475	1,277
Trucking equipment	4,081	(1,122)	2,959	2,603
Drilling equipment	269,441	(13,136)	256,305	226,209
Drilling equipment – construction in progress	6,607	–	6,607	4,799
	\$ 287,114	\$ (15,748)	\$ 271,366	\$ 238,345

Xtreme Coil depreciates drilling rigs beginning on the date they commence operations. Although Xtreme Coil has a number of components in stock for two additional drilling rigs, the Corporation's rig build program is

**Notes to the Unaudited Consolidated Financial Statements**  
**for the three months ended March 31, 2009**  
*(\$ thousand, except where noted)*

currently suspended due to economic uncertainty and decreased demand in North American drilling markets.

**8. Intangible assets**

	2009 Mar 31			2008 Dec 31
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Patents	\$ 5,583	\$ (728)	\$ 4,855	\$ 4,923

Between January 1, 2007 and March 31, 2009, the United States Patent and Trademark office issued five patents to Xtreme Coil covering its proprietary technologies.

**9. Purchase of joint venture interest**

On May 1, 2008, Xtreme Coil acquired the remaining 49 percent interest in Coil-X Drilling Systems Corporation ("Coil-X") from our former joint venture partner. The acquisition included an outstanding loan to Coil-X in the amount of \$4,080. The transaction was financed by: (i) the issuance of 1,092,896 common shares of Xtreme Coil at a price of \$7.32 for gross proceeds of \$8,000; (ii) the issuance of 1,000,000 purchase warrants and 700,000 performance warrants. The warrants entitle the holder (subject to a vesting period in the case of the performance warrants) to purchase one common share of Xtreme Coil for \$9.87 for a period of 24 months beginning on May 1, 2008.

Allocation of the consideration paid for this acquisition made under the purchase method is shown in this table.

Current assets	\$ 47
Equipment	5,873
Future income tax	113
Inter company balances	(2,113)
Goodwill	1,630
<b>Total purchase price</b>	<b>5,550</b>
Financed as follows	
New equity issued	3,920
Warrants	1,630
	<b>5,550</b>

Gross proceeds from the equity issuance of \$8,000 were allocated to the purchase consideration above of \$3,920 and repayment of the loan to Coil-X amounting to \$4,080.

**10. Credit facilities**

Xtreme Coil has credit facilities with a syndicate of Canadian financial institutions which require Xtreme Coil to maintain certain financial covenants. At December 31, 2008, Xtreme Coil was not in compliance with certain of the covenants related to interest coverage and funded debt to EBITDA ratios. The syndicate issued a waiver which is effective through December 31, 2009 in regards to these non-compliance events. At March 31, 2009, Xtreme Coil was not in compliance with certain of the covenants related to interest coverage and funded debt to EBITDA ratios. The syndicate issued a waiver which is effective through March 31, 2010 in regards to these non-compliance events. Funds drawn under the credit facilities may be denominated in either CAD or USD, with the limits of the facilities being the CAD equivalent. (*Note 17*)

**a. Operating facility**

Xtreme Coil has a \$15,000 operating loan facility. The facility bears interest at the bank's prime rate plus 1.00 percent and is secured by accounts receivable. The effective average interest rate for 2009 1Q was 3.6 percent (2008 1Q – 5.9 percent). As at March 31, 2009 the Corporation had drawn \$10,842 on this facility (December 31, 2008 – \$7,878)

**b. Long-term debt, net of financing costs**

Xtreme Coil has a committed 364-day extendible revolving credit facility of \$60,000. The facility is scheduled for renewal in May 2009 and is extendible at the lenders' discretion for a further period of 364 days. If not extended, under the existing agreement, the revolving facility reverts to a term loan to be repaid quarterly over a period of three years. The extendible revolving facility bears interest at the bank's prime rate plus up to 1.50 percent in 2009 1Q (2008 1Q bank's prime rate plus 0.75 percent). The weighted average interest

**Notes to the Unaudited Consolidated Financial Statements**  
**for the three months ended March 31, 2009**  
*(\$ thousand, except where noted)*

rate during 2009 1Q was approximately 4.1 percent (2008 1Q – 6.4 percent). If not extended, the term loan bears interest at the bank's prime rate plus up to 1.50 percent. A standby fee of up to 0.50 percent per annum in 2009 1Q (2008 1Q – 0.35 percent) applies to the unutilized portion of the facility. The facility is secured by a general security agreement over all present and future assets, excluding Xtreme Coil's intellectual property.

At March 31, 2009, \$14 million (2008 Dec 31 – \$17 million) of borrowing under the revolving credit facility was denominated in USD.

At March 31, 2009, \$14,915 (2008 Dec 31 – \$9,825) of the outstanding balance on this facility is included in the current portion of long-term debt, representing the portion that would become due within one year if the lenders did not renew the facility. Interest expense on the revolving credit facility during 2009 1Q was \$740 (2008 1Q – \$552) (Note 12 – Financial instruments; Note 17 – Subsequent event).

	2009 Mar 31	2008 Dec 31
Revolving credit facility	\$ 59,658	\$ 59,206
Less: current portion of long-term debt	(14,915)	(9,825)
	44,743	49,381
Less: financing cost related to long-term debt	(110)	(276)
	\$ 44,633	\$ 49,105

**11. Share capital**

**Authorized and issued shares**

Xtreme Coil is authorized to issue an unlimited number of common voting and preferred shares without nominal or par value. Xtreme Coil has no preferred shares outstanding. Following is a summary of issued and outstanding common shares.

	2009 Mar 31		2008 Dec 31	
	Number	Amount	Number	Amount
Balance – beginning of period	40,726,169	\$ 207,462	33,965,407	\$ 162,814
Private placement for cash,	–	–	4,780,000	34,100
Private placement for purchase	–	–	1,092,896	8,000
Performance warrants exercised	–	–	666,666	6
Employee options exercised	–	–	281,200	664
Exercised options purchased	–	–	(60,000)	(389)
Transferred from contributed surplus on	–	–	–	2,030
Future income tax effect of share issue cost	–	–	–	237
	–	–	6,760,762	44,648
Balance – end of period	40,726,169	\$ 207,462	40,726,169	\$ 207,462

**a. Private placements**

On May 1, 2008, Xtreme Coil completed a private placement of 4,780,000 common shares at a price of \$7.32 per share for gross proceeds of \$34,990. Issue costs of \$890 resulted in net proceeds of \$34,100.

On May 1, 2008, Xtreme Coil issued 1,092,896 common shares at a price of \$7.32 per share for gross value of \$8,000. These shares were issued to settle the loan with the joint venture partner and to acquire the joint venture partner's 49 percent interest in Coil-X.

**b. Contributed surplus**

	2009 Mar 31	2008 Dec 31
Contributed surplus, beginning of period	\$ 3,453	\$ 3,066
Stock-based compensation	304	1,319
Warrants cancelled on purchase of joint venture	–	1,098
Contributed surplus transferred on exercise of options and warrants	–	(2,030)
Contributed surplus, end of period	\$ 3,757	\$ 3,453

**c. Stock options outstanding**

The Corporation's Stock Option Plan (the "Plan") for directors, officers, employees and consultants permits granting of options to purchase up to a maximum of 10 percent of issued and outstanding common shares. The Board of Directors sets the number of options and the exercise price thereof at the time of the option grant provided that the exercise price is not less than that permitted under the current rules of any stock

**Notes to the Unaudited Consolidated Financial Statements**  
**for the three months ended March 31, 2009**  
*(\$ thousand, except where noted)*

exchange or exchanges upon which Xtreme Coil's common shares are listed. Options granted under the Plan may be exercisable for a period not exceeding ten years, generally with one-third of the options vesting each year for the first three years, commencing on the one year anniversary of the grant.

During 2009 1Q, there were no options (2008 1Q – 95,000) approved for granting by the board of directors. As of March 31, 2009, a total of 2,865,000 options (2008 Dec 31 – 2,969,200) were outstanding. During the three months ended March 31, 2009, the Corporation recorded stock-based compensation expense of \$241 (2008 1Q – \$148) and credited this amount to contributed surplus.

Xtreme Coil uses the fair value method of accounting for stock-based compensation. The fair value of options granted was estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants assuming: (i) no dividends are paid on common shares; (ii) a risk-free interest rate ranging from 1.8 to 4.6 percent; (iii) an average life of 3.0 years and; (iv) an expected volatility of up to 50 percent. The amounts computed according to the Black-Scholes pricing model may not be indicative of the actual values realized upon the exercise of these options by the holders. The amount of the fair value is charged to earnings over the period of vesting of the options with a corresponding credit to contributed surplus.

This table summarizes Xtreme Coil's Stock Option Plan as of March 31, 2009.

	2009 Mar 31		2008 Dec 31		
	Options	Weighted average exercise price	Options	Weighted average exercise price	
Outstanding, beginning of period	2,969,000	\$ 5.79	2,012,200	\$ 4.60	
Granted	–	–	1,392,000	7.22	
Exercised	–	–	(281,200)	3.00	
Forfeited	(104,000)	9.23	(154,000)	8.40	
Outstanding, end of period	2,865,000	5.66	2,969,000	5.79	
Options exercisable, end of period	1,517,862	\$ 4.15	1,488,842	\$ 4.22	
	<b>Options outstanding</b>		<b>Options exercisable</b>		
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$1.68 - \$ 4.50	1,334,000	1.6 yrs	\$ 3.07	1,261,200	\$ 3.12
\$4.51 - \$ 6.99	485,000	4.6 yrs	5.27	–	–
\$7.00 - \$10.50	949,000	4.0 yrs	8.92	195,330	8.51
\$10.51 - \$13.52	97,000	2.5 yrs	11.39	61,332	11.39
	<b>2,865,000</b>	<b>2.9 yrs</b>	<b>\$ 5.66</b>	<b>1,517,862</b>	<b>\$ 4.15</b>

**d. Diluted earnings per share**

Common shares potentially issuable in exchange for options, purchase warrants and performance warrants are not included in the computation of diluted earnings per share when to do so would be anti-dilutive. Diluted weighted average common shares outstanding is calculated using the treasury stock method, which assumes any proceeds obtained on the exercise of options is used to purchase common shares at the average price for the year.

	2009 Mar 31	2008 Mar 31
<b>Weighted average common shares outstanding – basic</b>	<b>40,726,169</b>	<b>34,472,378</b>
Effect of options and warrants	–	1,040,387
<b>Weighted average common shares outstanding – diluted</b>	<b>40,726,169</b>	<b>35,512,765</b>

**12. Financial instruments**

– *Fair value*

The carrying values of cash and cash equivalents, accounts receivable and other receivables, bank indebtedness, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments. Long-term debt is initially recorded at fair value net of transaction costs directly attributable to the issuance of the debt. Transaction costs capitalized as a portion of long-term debt are amortized using the effective interest method over the life of the debt.

**Notes to the Unaudited Consolidated Financial Statements**  
**for the three months ended March 31, 2009**  
(\$ thousand, except where noted)

– *Foreign exchange risk*

Xtreme Coil is exposed to risk from fluctuations in foreign currency exchange rates as it operates rigs in the United States and México and, therefore, translates revenue and expenses that are denominated in USD and MXN into CAD during the period.

– *Interest rate risk*

Xtreme Coil is exposed to interest rate risk to the extent the changes in market interest rates can impact operating and revolving debt facilities which have a floating interest rate. At the end of March 31, 2009, an increase or decrease of one percent in the effective interest rate would have impacted net income by approximately \$179 for the quarter, or \$686 on an annualized basis.

– *Credit risk*

Xtreme Coil is exposed to credit risk in relation to its accounts receivable which includes balances due from customers primarily operating in the oil and natural gas industry. Management assesses the credit worthiness of customers on an ongoing basis and considers the credit risks on these amounts as normal for the industry. Xtreme Coil is exposed to significant concentration of credit risk because the majority of accounts receivable balances are with a small group of customers (*Note 15 – Segmented information*).

Xtreme Coil accounts receivable is recorded net of a provision of \$506 (2008 1Q – \$29).

The following table summarizes the aging of the Corporation's accounts receivable which management does not consider impaired.

<b>Accounts receivable</b>	<b>2009 Mar 31</b>	<b>2008 Dec 31</b>
Receivables less than 90 days	\$ 25,347	\$ 22,427
Receivables greater than 90 days (for which no provision is considered necessary)	6,045	4,864
	<b>\$ 31,392</b>	<b>\$ 27,291</b>

– *Liquidity risk*

Liquidity risk relates to risks Xtreme Coil may encounter in meeting obligations associated with financial liabilities and commitments. Xtreme Coil anticipates the current level of financial capacity will be sufficient to fund commitments and to fund working capital. While the Corporation has, on occasion, not met certain covenants, it has thus far obtained any necessary waivers in regard to non-compliance from the lending syndicate of Canadian financial institutions. Future capital expenditures are being minimized under the temporary suspension of Xtreme Coil's rig expansion program. The Corporation anticipates generating positive cash flow from operating activities and intends to utilize available cash to pay down debt.

– *Contractual obligations*

The table below illustrates various contractual obligations which Xtreme Coil expects to repay, including any interest payments required other than interest amounts related to the variable rate credit facilities.

<b>Payments due by period</b>		<b>Less than 1</b>	<b>1 – 3</b>	<b>4 – 5</b>
<b>Contractual Obligations</b>	<b>Total</b>	<b>Year</b>	<b>Years</b>	<b>years</b>
Accounts payable and accrued liabilities	10,994	10,994	–	–
Income tax payable	35	35	–	–
Capital lease obligations	95	58	37	–
Operating leases	2,639	904	1,233	502
Revolving credit facility	59,658	14,915	39,772	4,971
Operating facility	10,842	10,842	–	–
Commitments	3,161	3,161	–	–
<b>Total contractual obligations</b>	<b>87,424</b>	<b>40,909</b>	<b>41,042</b>	<b>5,473</b>

**13. Capital management**

Xtreme Coil defines capital as the aggregate of shareholders' equity and long-term debt less cash and cash equivalents. Xtreme Coil's capital management framework is designed to maintain a flexible capital structure that allows for optimization of the cost of capital at acceptable risk while balancing the interests of both equity and debt holders.

**Notes to the Unaudited Consolidated Financial Statements**  
**for the three months ended March 31, 2009**  
*(\$ thousand, except where noted)*

Xtreme Coil targets a net debt to equity ratio of less than 0.5 : 1.0, although there is a degree of variability associated with the timing of cash flows. If appropriate opportunities are identified, Xtreme Coil is prepared to increase this ratio as high as 1 : 1. This policy remains unchanged from previous periods.

	2009 Mar 31	2008 Dec 31
Shareholders' equity	\$ 244,591	\$ 206,907
Long-term debt	59,548	58,930
Bank indebtedness, net of cash and cash equivalents	7,998	5,868
<b>Capital under management</b>	<b>\$ 312,137</b>	<b>\$ 271,705</b>
Net debt as a percentage of capital under management	22	24
Net debt to equity ratio	0.3 : 1	0.3 : 1

Net debt is defined as total debt less cash.

Xtreme Coil is subject to externally imposed minimum debt to equity capital requirements relating to existing covenants under its credit facilities. As at March 31, 2009, Xtreme Coil was in compliance with these debt to equity capital requirements.

**14. Commitments and contingencies**

**a. Commitments**

**i. Operating leases**

Xtreme Coil is committed to operating leases for office and field facilities and the table below details approximate annual base rental payments. Lease terms also require Xtreme Coil to remit a proportionate share of realty taxes, operating costs and utilities.

<b>2009</b>	<b>\$ 904</b>
2010	730
2011	503
2012	317
2013	185
	<b>\$ 2,639</b>

**ii. Purchase commitments**

Xtreme Coil has commitments to suppliers with respect to contracts for the construction of Coil Over Top Drive<sup>®</sup> drilling rigs of \$3.2 million (2008 4Q – \$3.4 million) which are not reflected in these consolidated financial statements.

**b. Contingencies**

The Corporation is party to various disputes and lawsuits in the normal course of its business. The Corporation believes that the ultimate liability arising from these matters will have no material impact on its consolidated financial statements.

**15. Segmented information**

During 2009 1Q, Xtreme Coil provided contract drilling services in the United States and México (2008 1Q – United States and Canada). The table below segments information by geographic area.

<b>Revenue</b>	<b>2009 Mar 31</b>	<b>2008 Mar 31</b>
Canada	\$ –	\$ 2,442
United States	7,053	9,893
México	15,861	–
<b>Total</b>	<b>\$ 22,914</b>	<b>\$ 12,335</b>

At March 31, 2009, Xtreme Coil had equipment located in the United States, México and Canada. The table below segments information by geographic area.

**Notes to the Unaudited Consolidated Financial Statements**  
**for the three months ended March 31, 2009**  
*(\$ thousand, except where noted)*

<b>Equipment</b>	<b>2009 Mar 31</b>	<b>2008 Dec 31</b>
Canada	\$ 457	\$ 1,163
United States	152,990	142,266
México	117,919	94,916
<b>Total</b>	<b>\$ 271,366</b>	<b>\$ 238,345</b>

In 2009 1Q, two customers accounted for revenue of \$22.7 million (99 percent). Of this total, customer A accounted for \$15.9 million (69 percent); Customer B accounted for \$6.8 million (30 percent) (2008 Q1 – two customers accounted for revenue of \$9.8 million or 79 percent. Of this total, customer A accounted for \$6.2 million (50 percent); Customer B accounted for \$3.6 million (29 percent)).

Goodwill has been allocated primarily to operations in México.

**16. Changes in non-cash working capital**

	<b>2009 Mar 31</b>	<b>2008 Mar 31</b>
Accounts receivable	\$ (2,357)	\$ (1,452)
Prepaid expenses	125	73
Inventory	(924)	(41)
Accounts payable and accrued liabilities	(1,993)	(8,182)
Income taxes payable	(1,319)	–
<b>Total</b>	<b>\$ (6,468)</b>	<b>\$ (9,602)</b>

Changes in non-cash working capital are categorized below.

	<b>2009 Mar 31</b>	<b>2008 Mar 31</b>
Operating activities	(2,508)	(1,754)
Investing activities	(3,960)	(7,848)
<b>Total</b>	<b>\$ (6,468)</b>	<b>\$ (9,602)</b>

**17. Subsequent event**

**a. Waiver of covenants**

At March 31, 2009, Xtreme Coil was not in compliance with certain of the covenants related to interest coverage and funded debt to EBITDA ratios on its credit facilities. The lending syndicate which holds these loans issued a waiver which is effective through March 31, 2010 in regard to these non-compliance events.

**b. Expiry of warrants**

Subsequent to 2009 1Q, the 700,000 performance warrants issued on May 1, 2008 expired on May 1, 2009, since the holder was not able to meet the vesting criteria. The warrant holder continues to hold 1,000,000 purchase warrants exercisable at \$9.87 per warrant at any time until May 1, 2010.

## Reader Advisory

The information in this interim report may include certain information and statements and assumptions regarding management's view of future events, expectations, plans, initiatives or prospects constituting forward-looking statements within the meaning of securities laws. Forward-looking statements may relate to Xtreme Coil's future outlook and anticipated events or results and may include statements related to anticipated future contracts; commodity pricing; rates of currency exchange; operating expenses; rig building, completion or deployment; capital expenditures and other 2009 guidance provided throughout this interim report. Risks and uncertainties result from a variety of factors and actual results, expectations, achievements or performance may differ materially from those anticipated and indicated by these forward-looking statements. Although Xtreme Coil believes that expectations reflected in these forward-looking statements are reasonable, we can give no assurances the expectations of these forward-looking statements will prove correct. Xtreme Coil cautions readers that actual timing and results may vary materially from these forward-looking statements and that such financial outlook information contained in this interim report should not be used for purposes other than for which it is disclosed herein. Except as required pursuant to applicable securities laws, Xtreme Coil disclaims any intention, and assumes no obligation, to update or revise any forward-looking statements to reflect actual results, whether as a result of new information, future events, changes in assumptions, changes in factors affecting such forward-looking statements or otherwise.

## Corporate Profile

Xtreme Coil develops and applies leading edge patented and patent-pending technology and designs to build, transport, and operate new COTD™ drilling rigs. Currently contracted in the United States and México and marketed to other international regions, Xtreme Coil's innovative, dual-purpose and efficient rigs drill with larger coil to reach hydrocarbons in deeper horizons. Xtreme Coil's proprietary technology also features modular transportation units, larger coil injectors and new methods for achieving deeper, faster and safer drilling. Xtreme Coil's common shares trade on the Toronto Stock Exchange ("TSX") under the symbol "XDC".

### For further information please contact

Tom Wood  
Executive Chairman  
Xtreme Coil Drilling Corp.  
1402, 500 Fourth Avenue SW  
Calgary, Alberta T2P 2V6

Rod Uchytíl  
President and Chief Executive Officer  
tel: (403) 262-9500  
fax: (403) 262-9522  
email: [ir@xtremecoil.com](mailto:ir@xtremecoil.com)

[www.xtremecoildrilling.com](http://www.xtremecoildrilling.com)



1402, 500 Fourth Avenue SW  
Calgary AB Canada T2P 2V6  
tel: +1 403 262 9500 fax: +1 403 262 9522  
[www.xtremecoildrilling.com](http://www.xtremecoildrilling.com)  
e-mail: [ir@xtremecoil.com](mailto:ir@xtremecoil.com)

## Corporate information

### Board of Directors

*Randolph M. Charron*<sup>4,5</sup>  
President  
Characo Corporation  
Calgary, AB

*Daniel Z. Remenda*<sup>2,3,5</sup>  
Independent Businessman  
Calgary, AB

*Peter J. Sharpe*<sup>5</sup>  
Vice President Technical, Wells  
Shell International Exploration  
and Production B.V.  
The Hague, The Netherlands

*Marc L. Staniloff*<sup>2,3,4</sup>  
Chairman  
and Chief Executive Officer  
Superior Lodging Corp.  
Calgary, AB

*Kyle W. Swingle*  
Senior Technical and Project Advisor  
Xtreme Coil Drilling Corp.  
Long Tree, CO, USA

*David A. Tuer*<sup>2,3,4</sup>  
Vice Chairman  
and Chief Executive Officer  
Marble Point Energy Ltd.  
Calgary, AB

*Thomas D. Wood*<sup>1</sup>  
Executive Chairman  
Xtreme Coil Drilling Corp.  
Calgary, AB

### Officers

*Thomas D. Wood*  
Executive Chairman

*Rodney J. Uchtyl*  
President and  
Chief Executive Officer

*Elizabeth T. Wilkinson*  
Chief Financial Officer

*Richard D. Havinga*  
Chief Operating Officer

*Carl Jon Bengé*  
Vice President  
Sales and Marketing

*Brian K. Wigington*  
Corporate Controller

*L. Ann Beattie*  
Corporate Secretary  
Corporate and Investor Communication

### Corporate and Investor Relations

tel: +1 403 450 1190  
e-mail: [ir@xtremecoil.com](mailto:ir@xtremecoil.com)

Shareholders and other interested individuals  
can view current public information about  
Xtreme Coil at [www.xtremecoildrilling.com](http://www.xtremecoildrilling.com)  
which has historical information, shareholder  
reports, press releases, the current corporate  
presentation, as well as trading and contact  
information.

### Auditors

PricewaterhouseCoopers LLP  
Calgary, AB

### Bank

HSBC Bank Canada  
Calgary, AB

### Solicitors

Stikeman Elliott LLP  
Calgary, AB

### Stock Exchange and Symbol

TSX, "XDC"

### Transfer Agent and Registrar

Valiant Trust Company  
Calgary, AB  
toll free: +1 866 313 1872  
e-mail: [inquiries@valianttrust.com](mailto:inquiries@valianttrust.com)

### Xtreme Coil Drilling Corp.

#### Houston Office

16285 Park Ten Place, #650  
Houston TX 77084  
tel: +1 281 994 4600  
fax: +1 281 994 4650

### Wholly-owned Subsidiaries

#### Xtreme Coil Drilling Corporation

Casper, Wyoming, USA  
tel: +1 307 234 3600  
fax: +1 307 234 3622

#### Xtreme Coil Drilling México, S.A. de C.V.

Tihuatlán, Veracruz, México  
tel: 011 52 782 111 8302  
fax: 011 52 782 111 8352

### Joint Venture

#### Coil-X Drilling Systems Limited

Calgary, Alberta

<sup>1</sup> Chairman of the Board

<sup>2</sup> Audit Committee

<sup>3</sup> Compensation Committee

<sup>4</sup> Governance and Nominating Cttee

<sup>5</sup> Health, Safety, Environment Cttee