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Xtreme Coil Achieves Record Third Quarter EBITDA and Operating Days and Provides Update

Calgary, Alberta (TSX: "XDC") November 12, 2009 – Xtreme Coil Drilling Corp. ("Xtreme Coil", the "Company") announces financial and operating results for the three ("2009 3Q") and nine months ended September 30, 2009, with comparative data for the same periods in 2008 and for the year ended December 31, 2008 and provides an operations update.

Highlights

- record EBITDA of \$7.6 million in 2009 3Q, up 28 percent from 2008 3Q
- record gross margin of \$11.7 million in 2009 3Q, up 44 percent from 2008 3Q
- record 2009 3Q operating days at 1,022, up 8 percent from 2008 3Q
- at September 30, 2009 13 rigs operating
- completed XTC 200 DTR^{PLUS} rig for re-entry drilling

In 2009 3Q, Xtreme Coil reported record EBITDA of \$7.6 million, record gross margin of \$11.7 million and a record 1,022 operating days. The improvement in EBITDA and gross margin over the previous quarter was primarily a result of increased operating days in Mexico, where the two rigs that commenced operations late in 2009 2Q enjoyed a full quarter of operations during 2009 3Q and two additional rigs, recently mobilized to Mexico under previously announced contracts, commenced operations late in 2009 3Q. Net income of \$2.7 million for 2009 3Q was also improved over the previous quarter as rig operating results and gains on foreign exchange were only partially offset by higher income taxes and SG&A.

Xtreme Coil uses both GAAP and non-GAAP measures to assess performance and provides non-GAAP measures such as EBITDA and gross margin as supplemental information to investors. EBITDA and gross margin do not have standardized meanings prescribed by GAAP. Xtreme Coil's method of defining these measures is provided in the Non-GAAP Measures section of Management's Discussion and Analysis filed annually and quarterly on SEDAR.

Operations Update

Following the end of 2009 3Q, three rigs continue to drill in the Rocky Mountain region of the United States and ten rigs are drilling in Mexico, all under long-term contracts.



In October, Xtreme Coil completed customization work on a Coil Over Top Drive[®] ("COTD[™]") rig in south Texas to prepare it for re-entry drilling opportunities in the Middle East. On completion of the XTC 200DTR^{PLUS} (see photo left), Xtreme Coil hosted on-site tours and rig demonstrations for industry customers and colleagues to familiarize them with this rig's design and operational attributes. The rig features an alternating current ("AC") electrically-powered 200,000 lb. Xtreme Coil injector and new functionality to allow manipulation of the injector hydraulically for connection to a live well

pressure lubricator. Modifications to the rig's mast make it capable of handling lubricator assemblies of up to 120 feet for pressure deployment of downhole tools. Also during 2009 3Q, we constructed an Xtreme Coil-designed substructure to elevate the XTC 200DTR^{PLUS} rig above wellheads that are typical for Middle East and North Africa work scopes.

Subject to approval by Xtreme Coil's lenders, and in connection with a previously executed pre-bid agreement and letter of understanding between Xtreme Coil and a major diversified oilfield services company (the "Service Company"), Xtreme Coil intends to enter into a definitive agreement pursuant to which the Service Company will fund up to US\$5.7 million in customization costs for an XTC 200DTR^{PLUS} drilling rig and pay for certain significant mobilization and start-up costs of deploying the rig to the Middle East upon project award. Under the terms of the proposed agreement, which is expected to be executed upon approval of Xtreme Coil's lenders and at Xtreme Coil's sole discretion, the Service Company would fund a three-year loan for up to US\$5.7 million of the customization work mentioned above, repayable exclusively out of day rate revenues generated by the XTC 200DTR^{PLUS} drilling rig during the term of the loan, with a balloon payment due at maturity for any unpaid balance. The Service Company would have preferential access to the rig for a period of three years.

Recently, an Xtreme Coil COTD™ rig working in the Wattenberg field of the Denver-Julesburg basin surpassed its previous record drilling time by achieving "spud-to-spud" times of just over 50 hours in 8,000 foot directional wells. ("Spud-to-spud" describes the time from commencement of drilling the subject well through to positioning the rig on the next well location so that drilling can begin again.) Our customer commented recently on "technological advances" being fundamental to achieving these time and depth improvements that were not previously possible. Throughout Xtreme Coil's operations in the United States and Mexico, our day-to-day emphasis remains on operating our rigs efficiently and safely for our employees, our customers and our vendors.

During the remainder of 2009, we are committed to continuing activities that advance identified potential projects. At the same time, we are actively pursuing new business opportunities. Our objective is to introduce and deploy Xtreme Coil's innovative drilling rigs and expertise internationally, including oil and natural gas producing regions in the Middle East, North Africa, Australia and Asia.

Tom Wood
 Executive Chairman

Rod Uchytíl
 President and Chief Executive Officer

2009 Third Quarter Highlights

(\$ in thousands, except where indicated)

	2009 Sep 30	2008 Sep 30	% Change
Revenue	26,153	26,328	(1)
Gross Margin ¹	11,736	8,150	44
EBITDA ¹	7,569	5,899	28
EBITDA per share ¹ (\$)	0.14	0.15	(7)
Net income	2,734	1,278	114
Net income per common share - basic (\$)	0.05	0.03	67
Weighted average common shares - basic (<i>thousand</i>)	52,845	40,560	30
Capital assets	244,928	231,392	6
Total assets	318,948	279,457	14
Operating days ²	1,022	947	8
Rig utilization (<i>percentage</i>)	69	83	(17)

¹ see Non-GAAP measures in MD&A

**Management's Discussion and Analysis ("MD&A")
For the three and nine months ended September 30, 2009**

(\$ in thousands, except where indicated)

Management for Xtreme Coil Drilling Corp. ("Xtreme Coil", the "Company") based this MD&A on operating and financial results for the three and nine months ended September 30, 2009 and provides comparative information for the three and nine months ended September 30, 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 November 10, 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 current and anticipated future contracts; commodity pricing; rates of currency exchange; operating expenses; rig building, completion or deployment; capital expenditures and other guidance provided throughout this MD&A.

These statements are based on certain factors and assumptions including, but not limited to: assessment of current and projected 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, modification and construction expenses; the ability of vendors to provide rig component equipment, services and supplies, including labor, in a cost-effective and timely manner; the issuance of applied-for patents; changes in tax rates; and government regulations. Although Xtreme Coil considers the assumptions reasonable, based on information available to management as at November 10, 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; the availability of qualified personnel; competition for customers from other drilling contractors, labour and vendor-provided rig components.

Management's assumptions included the following: continued operation of the existing fleet of drilling equipment without significant additional capital expenditures; meeting the terms of the Company'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 currency 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.

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,

**Management's Discussion and Analysis ("MD&A")
For the three and nine months ended September 30, 2009**

(\$ in thousands, except where indicated)

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 that designs, builds and operates proprietary Coil Over Top Drive® ("COTD™") drilling rigs. These drilling rigs employ Xtreme Coil's patented and patent-pending coil designs and technologies. In addition to their coil drilling capabilities, these drilling rigs also have the ability to drill with conventional jointed drill pipe. The Company has historically built these dual-purpose COTD™ drilling rigs in Canada under contracts with several third parties and operates them internationally under contracts with oil and natural gas exploration and production ("E&P") companies and global integrated oilfield service providers. Xtreme Coil currently conducts land drilling operations in the United States and Mexico and is actively pursuing opportunities to expand its contract drilling services within and beyond these current core regions of operation.

Xtreme Coil's head office is in Houston, Texas. Xtreme Coil also has a corporate office in Calgary, Alberta, Canada and an operations office near Poza Rica, in the state of Veracruz, Mexico.

As at September 30, 2009, Xtreme Coil held nine patents related to new technologies for drilling with coiled tubing and conventional drill pipe as well as certain rig transportation methods. The United States Patent and Trademark office has issued six patents, the Canadian Intellectual Property Office has issued two patents and jurisdictions in Eurasia have issued one patent to Xtreme Coil. In addition, Xtreme Coil has more than 60 patent-related applications in the United States, Canada and other jurisdictions. The Company's issued and applied-for patents collectively cover coiled tubing drilling and transportation technology including equipment and methods for coiled tubing drilling to depths of 3,000 meters (10,000 feet) or more with large diameter pipe and up to 9,000 meters (30,000 feet) for re-entry applications with smaller diameter pipe.

As at September 30, 2009, Xtreme Coil had ten drilling rigs working under long-term contracts with a global integrated oilfield services provider in the Chicontepec development project in the state of Veracruz, Mexico. The ten rigs working in Mexico reflect new long-term contracts executed in September 2009. Six of the rigs had been working in this project since 2008 and four additional rigs commenced operations in 2009. Two of those four rigs commenced operations in late 2009 2Q and the other two rigs commenced operations in late 2009 3Q.

In addition, the Company had another three drilling rigs working in the United States under long-term contracts with a large independent E&P company. Xtreme Coil has designed seven models of COTD™ drilling rigs with five designs completed and deployed and one ready to deploy to field operations.

At September 30, 2009, of the 16 COTD™ drilling rigs the Company had in service:

- ten rigs were operating under long-term contracts in Mexico,
- three rigs were operating under long-term contracts in the United States,
- two rigs were stacked in the United States, and
- one rig was undergoing customization in preparation for possible deployment from the United States to the Middle East.

Xtreme Coil's early capital plans called for the construction of 18 drilling rigs. The Company made the decision to temporarily suspend construction on the last two of these rigs in 2008 3Q when economic uncertainty significantly decreased demand in the United States drilling market. As such, in addition to the 16 drilling rigs that were completed, the Company purchased, and retains in stock, a limited number of components for the two additional drilling rigs for which construction was suspended.

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 and nine months ended September 30, 2009
(\$ in thousands, except where indicated)

Selected Quarterly Financial Information *(unaudited)*

Three months ended

	2009 Sep 30	2009 Jun 30	2009 Mar 31	2008 Dec 31
Revenue	26,153	23,052	22,914	28,924
EBITDA ¹	7,569	5,379	6,187	6,539
EBITDA per share ¹ (\$)	0.14	0.13	0.15	0.16
Net income	2,734	1,926	2,379	2,508
Net income per share (\$)	0.05	0.05	0.06	0.06
Capital assets	244,928	254,070	271,366	238,345
Total assets	318,948	346,090	326,098	289,394
Operating days ²	1,022	878	803	949
Rig utilization <i>(percentage)</i>	69	60	56	68
Weighted average rigs in service	16.0	16.0	16.0	15.2
Completed rigs, end of quarter	16	16	16	16

	2008 Sep 30	2008 Jun 30	2008 Mar 31	2007 Dec 31
Revenue	26,328	10,527	12,335	12,416
EBITDA ¹	5,899	715	2,253	2,237
EBITDA per share ¹ (\$)	0.15	0.02	0.07	0.07
Net income (loss)	1,278	(1,541)	496	(204)
Net income (loss) per share (\$)	0.03	(0.04)	0.01	(0.01)
Capital assets	231,392	211,948	192,855	188,913
Total assets	279,457	249,043	219,049	213,464
Operating days ²	947	473	579	579
Rig utilization <i>(percentage)</i>	83	52	74	77
Weighted average rigs in service	12.4	10.0	9.0	8.1
Completed rigs, end of quarter	15	12	11	11

¹ 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. EBITDA per share is defined as EBITDA divided by the Company's basic number of common shares. Management believes EBITDA and EBITDA per share are useful supplemental measures 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. A reconciliation of EBITDA to net income is presented in the Non-GAAP measures section of this MD&A.

² see Non-GAAP measures

During the preceding eight quarters, Xtreme Coil's revenue, EBITDA, net income, assets and operating days have shown general improvement as the Company increased the size of its drilling rig fleet and secured long-term contracts for its rigs, though favourable trends have been partially offset by the deterioration in the value of the United States dollar ("USD") relative to the CAD in the current year. In the near term, we expect the primary source of revenue will be from the 13 rigs operating under long-term contracts at the end of 2009 3Q.

For the three months ended September 30, 2009, the Company's utilization rate of 69 percent (with 13 rigs working at the end of the period out of 16 total rigs) was 14 percentage points lower than the utilization rate of 83 percent recorded in the comparative period in 2008 (with 13 rigs working at the end of the period out of 15 total rigs).

Xtreme Coil reported increased operating days during the three and nine months ended September 30, 2009, compared to 2008. This reflected the increased number of rigs in the operating fleet and the additional number of rigs operating under long-term contracts. The achievement of 1,022 operating days in 2009 3Q represents an all-time record since Xtreme Coil's commencement of operations in 2006.

**Management's Discussion and Analysis ("MD&A")
For the three and nine months ended September 30, 2009**

(\$ in thousands, except where indicated)

Results of Operations

Revenue

	Three months ended			Nine months ended		
	2009 Sep 30	2008 Sep 30	% Change	2009 Sep 30	2008 Sep 30	% Change
Total revenue	26,153	26,328	(1)	72,119	49,190	47
Operating days	1,022	947	8	2,703	1,999	35
Revenue per operating day	25.6	27.8	(8)	26.7	24.6	9
Rig utilization (percentage)	69	83	(17)	62	70	(11)

At September 30, 2009, Xtreme Coil's fleet consisted of 16 rigs (2008 – 15 rigs). As we ramped up construction, commissioning and deployment of new drilling rigs during 2008, operating days, revenues and revenue per operating day all increased. During the three and the nine months ended September 30, 2009, we had a greater proportion of our larger rigs operating than in the comparable 2008 periods. The higher dayrates commanded by these larger rigs combined with the effect of a stronger USD relative to the CAD, resulted in increased revenue per operating day for the nine months ended September 30, 2009 compared to the same period in 2008. In contrast, higher average mobilization revenue and higher average third party revenues related to reimbursable expenses in 2008 overshadowed the effect of having a greater percentage of larger rigs working and a slightly stronger USD for the three months ended September 30, 2009 compared to the same period in 2008.

Historically, all drilling contracts under which the Company operates its equipment have been denominated primarily in USD. We anticipate the continued operation under long-term contracts of our ten rigs in Mexico and three rigs in the United States will contribute to revenue stability during the remainder of 2009. Recently, there have been news reports suggesting PEMEX will be reviewing their development plans for Chicontepec; however, management continues to believe this will not adversely affect the utilization of our ten rigs currently under long-term contract in that area. Furthermore, management believes demand for drilling equipment in Mexico during 2009 will remain strong as the country continues to focus on developing existing hydrocarbon reserves to replace historic declines in production rates.

In response to continuing weakness in drilling market conditions in the United States and Canada, management intends to continue efforts to market internationally what we believe are the advantages of our newer and efficient fleet of COTD™ drilling rigs. We continue aggressive efforts to market to existing customers and secure business from a broader range of potential customers. We are actively pursuing energy projects in the Middle East, North Africa, Australia and Asia. Management believes there is potential to secure contracts in these markets which could utilize several of Xtreme Coil's rigs and potentially increase utilization, revenue and market diversification.

Operating Expenses

	Three months ended			Nine months ended		
	2009 Sep 30	2008 Sep 30	% Change	2009 Sep 30	2008 Sep 30	% Change
Operating expenses	14,417	18,178	(21)	43,204	35,705	21
Operating expenses (percentage of revenue)	55	69	(20)	60	73	(18)
Operating expenses per operating day	14.1	19.2	(27)	16.0	17.9	(11)

The increase in operating expenses year-over-year primarily reflects the higher number of operating days and stronger value of the USD relative to CAD on our USD denominated expenses. Operating expenses as a percentage of revenue, continued to decline in 2009 when compared to the prior year periods as fixed infrastructure and other non-rig specific operational expenses did not increase proportionally over these periods. Operating expenses per day also showed improvement for 2009 3Q compared to the same period in 2008 due to lower downtime and higher costs incurred during the rollout of the XTC 400 series rigs.

Management's Discussion and Analysis ("MD&A")
For the three and nine months ended September 30, 2009
(\$ in thousands, except where indicated)

Gross Margin¹

	Three months ended			Nine months ended		
	2009 Sep 30	2008 Sep 30	% Change	2009 Sep 30	2008 Sep 30	% Change
Gross margin	11,736	8,150	44	28,915	13,485	114
Gross margin (percentage of revenue)	45	31	45	40	27	48
Gross margin per operating day	11.5	8.6	34	10.7	6.7	60

¹ see Non-GAAP measures

The increase in total gross margin, gross margin per operating day and gross margin percentage for the three and nine months ended September 30, 2009 improved primarily due to increased operating days and the resulting increase in revenues. Certain operational expenses are fixed in nature and any increase in operating days produces significant improvement in these metrics. In addition, increasing operating days allow Xtreme Coil to achieve certain efficiencies and economies of scale which improves gross margins and gross margin percentages.

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

	Three months ended			Nine months ended		
	2009 Sep 30	2008 Sep 30	% Change	2009 Sep 30	2008 Sep 30	% Change
SG&A	4,167	2,251	85	9,780	4,617	112
SG&A (percentage of revenue)	16	9	78	14	9	56

SG&A for the three and nine months ended September 30, 2009 was higher primarily due to development of administrative infrastructure to support expanded international operations, higher professional fees and increased bonus expense. As the Company continues to expand its business and SG&A has increased, focus has been directed to finding ways to control the growth of these costs as a percentage of revenues, including progressively moving certain outsourced services to in-house permanent personnel.

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")¹

	Three months ended			Nine months ended		
	2009 Sep 30	2008 Sep 30	% Change	2009 Sep 30	2008 Sep 30	% Change
EBITDA	7,569	5,899	28	19,135	8,868	116

¹ see Non-GAAP measures

For the three and nine months ended September 30, 2009, the increase in EBITDA was a result of increased operating days, higher average dayrates, and a decrease in direct operating expenses as a percentage of revenue.

Depreciation and Amortization

	Three months ended			Nine months ended		
	2009 Sep 30	2008 Sep 30	% Change	2009 Sep 30	2008 Sep 30	% Change
Depreciation and amortization	3,083	2,361	31	8,803	5,612	57

Depreciation charges for Xtreme Coil's drilling equipment are based on the units-of-production method. Depreciation for drilling equipment comprises the majority of depreciation charges. This method generally increases depreciation charges in direct proportion to increased operating days. For the three and nine months ended September 30, 2009, 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.

Stock-based Compensation

	Three months ended			Nine months ended		
	2009 Sep 30	2008 Sep 30	% Change	2009 Sep 30	2008 Sep 30	% Change
Stock-based compensation	350	420	(17)	943	720	31

For the three months ended September 30, 2009, stock-based compensation decreased as fewer options were granted compared to the same period in 2008. However, for the nine months ended September 30, 2009, stock-based compensation increased overall as our operations in the United States and Mexico grew. The board of directors responded to this growth by granting additional options to purchase common shares to employees.

Management's Discussion and Analysis ("MD&A")
For the three and nine months ended September 30, 2009
(\$ in thousands, except where indicated)

Foreign Exchange

	Three months ended			Nine months ended		
	2009 Sep 30	2008 Sep 30	% Change	2009 Sep 30	2008 Sep 30	% Change
Foreign exchange (gain) loss	(1,969)	309	n/a	(2,744)	231	n/a

Foreign exchange gain or loss results from translation of the portion of revolving debt denominated in USD as well as operational revenues and expenses denominated in USD and Mexico pesos ("MXN"). Foreign exchange gains and losses result directly from the fluctuation in values of the CAD relative to the USD and the MXN. Drilling operations in the United States and Mexico were denominated primarily in USD.

For the three and nine months ended September 30, 2009, the foreign exchange gain increased primarily due to the effect of the decreased value of the USD in relation to the CAD on the debt denominated in USD, offset by increasing revenues denominated in USD.

Net Interest Expense

	Three months ended			Nine months ended		
	2009 Sep 30	2008 Sep 30	% Change	2009 Sep 30	2008 Sep 30	% Change
Net Interest expense	680	898	(24)	2,559	1,981	29

During 2008, Xtreme Coil drew on its credit facilities primarily to complete 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 Mexico. These activities caused the Company's debt balances to peak in early 2009 and subsequently decline, as cash generated from operating activities and proceeds from equity issuance in 2009 allowed the Company to reduce debt by \$19,565 (including the effect of foreign exchange gains and losses) and fund \$15,488 in capital expenditures (including the effect of foreign exchange gains and losses) to upgrade rigs for anticipated work.

Net interest expense for the three months ended September 30, 2009 decreased compared to the same period in 2008 due to lower average debt balances as a result of debt repayments during 2009 3Q, in addition to lower average interest rates for the same period.

Net interest expense for the nine months ended September 30, 2009, increased compared to the same period in 2008, due to higher average debt balances partially offset by lower average interest rates on the Company's variable rate debt facilities.

Income (Loss) Before Tax

	Three months ended			Nine months ended		
	2009 Sep 30	2008 Sep 30	% Change	2009 Sep 30	2008 Sep 30	% Change
Income (loss) before tax	5,463	1,873	192	9,612	286	3,261

For the three and nine months ended September 30, 2009, income before tax increased over prior periods primarily as a result of Xtreme Coil's expanding operations and transition from a construction phase to an operational phase. As the Company secured long-term drilling contracts and increased revenues, operating days and income before tax increased.

Income Taxes

	Three months ended			Nine months ended		
	2009 Sep 30	2008 Sep 30	% Change	2009 Sep 30	2008 Sep 30	% Change
Income tax recovery (expense)	(2,729)	(595)	359	(2,573)	(53)	4,755

For the three months ended September 30, 2009 versus the same period in the prior year, tax expense increased primarily due to an accrual for certain withholding taxes relating to the Company's international tax structure and the impact of the intercompany sale of two drilling rigs. For the nine months ended September 30, 2009, the increased tax expense over the prior year period reflects the 2009 3Q accrual of certain withholding taxes relating to the Company's international tax structure and the impact of the intercompany sale of four drilling rigs, partially offset by the recovery recorded in 2009 1Q to reflect a lower effective tax rate applicable to the Company's tax structure.

Management's Discussion and Analysis ("MD&A")
For the three and nine months ended September 30, 2009
(\$ in thousands, except where indicated)

Net Income (Loss)

	Three months ended			Nine months ended		
	2009 Sep 30	2008 Sep 30	% Change	2009 Sep 30	2008 Sep 30	% Change
Net income (loss)	2,734	1,278	114	7,039	233	2,921

The increase in net income in for the three and nine months ended September 30, 2009 primarily reflects increased operating profit from expanded operations, partially offset by higher taxes (as discussed above).

Financial Condition, Liquidity and Capital Resources

<i>(\$ million)</i>	2009 Sep 30	2008 Dec 31	% Change
Long-term liabilities	35.4	49.1	(28)
Less: working capital	36.5	6.2	489
Net debt ¹	(1.1)	42.9	n/a

¹ see Non-GAAP measures

The decrease in net debt and the corresponding increase in working capital at September 30, 2009, as compared to December 31, 2008, are primarily related to the two equity offerings which closed in 2009 2Q. Net proceeds from these offerings totalled \$44,446.

Year-to-date through September 30, 2009, proceeds from the issuance of equity and cash generated from operating activities enabled the Company to reduce debt by \$19,565 (including foreign exchange gains and losses), fund capital expenditures of \$15,488 and increase cash and cash equivalents by \$18,499.

Capital Expenditures and Commitments

<i>(\$ million)</i>	Three months ended			Nine months ended		
	2009 Sep 30	2008 Sep 30	% Change	2009 Sep 30	2008 Sep 30	% Change
Capital expenditures	11.0	21.8	(50)	15.5	47.9	(68)
Commitments	2.2	4.5	(51)	5.9	4.5	31

Capital expenditures and commitments decreased in the three and nine months ended September 30, 2009, compared to 2008. At September 30, 2008, six rigs were under construction. By year-end 2008, the Company had completed construction of the 16 rigs and suspended the construction of an additional two rigs due to market conditions discussed in "Description of the Business". Capital spending in the nine months ended September 30, 2009, was primarily related to modifications conducted in the first half of the year on the four rigs subsequently moved to commence operations in Mexico and modifications conducted in the third quarter on an idle rig to make it suitable for re-entry work in the Middle East.

In May 2008, Xtreme Coil entered into an agreement for credit facilities with its existing lender and another lender on a syndicated basis. The credit facilities included 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 required 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.

On May 29, 2009, Xtreme Coil executed the second amendment to the credit agreement. The amendment extends the existing credit facilities, continuing the \$15 million operating loan facility ("Tranche A") and converting the \$60 million revolving credit facility into an extendible term loan ("Tranche B"). Terms of Tranche A remain essentially unchanged. The amended Tranche B facility requires minimum principal payments based on a five-year amortization of the outstanding balance at May 29, 2009. Quarterly installments in arrears began June 30, 2009, and continue until the stated maturity date of January 4, 2011, at which time the remaining facility balance becomes due and payable unless extended. Under the terms of the amended agreement, Xtreme Coil may request extension of the facility at any time 90 days before the stated maturity date. A debt service coverage ratio covenant replaces the EBIT interest coverage and funded debt to EBITDA covenants that previously applied to quarterly financial reporting periods. Xtreme Coil was in compliance with all covenants at September 30, 2009.

**Management's Discussion and Analysis ("MD&A")
For the three and nine months ended September 30, 2009**

(\$ in thousands, except where indicated)

At September 30, 2009, Xtreme Coil had no outstanding balance on the operating loan facility ("Tranche A") (at December 31, 2008, \$7,878) and \$47,243 on the extendible term loan, of which \$11,838 was classified as current ("Tranche B") (at December 31, 2008, \$58,930, of which \$9,825 was classified as current).

Xtreme Coil maintains ongoing communication with its banking syndicate and believes its relationship with the syndicate is good and the syndicate is in sound financial condition.

This table summarizes Xtreme Coil's contractual obligations at September 30, 2009.

Contractual Obligations	Total	Less than 1 year	1 – 3 years	4 – 5 years
Accounts payable and accrued liabilities	12,544	12,544	–	–
Income tax payable	1,792	1,792	–	–
Operating leases	1,573	707	642	224
Extendible term loan	47,243	11,838	35,405	–
Commitments	2,200	2,200	–	–
Total contractual obligations	65,352	29,081	36,047	224

The table above assumes the Company's credit facility is not extended and payments are made as required under the existing credit agreement. Interest payments are not included in the table. Management believes cash on hand, cash flow from operating activities and amounts available under Xtreme Coil's 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, Mexico and the United States.

Revenue	Three months ended			Nine months ended		
	2009 Sep 30	2008 Sep 30	% Change	2009 Sep 30	2008 Sep 30	% Change
Canada	–	1,306	(100)	–	3,783	(100)
United States	5,688	18,465	(69)	18,896	38,850	(51)
México	20,465	6,557	212	53,223	6,557	712
Total	26,153	26,328	(1)	72,119	49,190	47

Outstanding Common Shares

As at September 30, 2009, Xtreme Coil had outstanding options to purchase 3,817,000 common shares (2008 3Q – 2,504,000) at a weighted average exercise price of \$4.68 per share (2008 3Q – \$5.89).

Share capital on November 10, 2009 was \$252,846 and 52,871,669 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 outstanding entitling the holders to purchase 3,791,666 common shares.

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 errors 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. Consideration must also be given to the benefits of controls in relation to the cost of such controls. Due to the inherent limitations in any control system, 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 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.

**Management's Discussion and Analysis ("MD&A")
For the three and nine months ended September 30, 2009**

(\$ in thousands, except where indicated)

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 September 30, 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 that 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 September 30, 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 had a limited number of staff distributed among several geographically-dispersed locations. This has created situations where it was not feasible to achieve complete segregation of duties. Also, due to the limited number of staff in different locations, Xtreme Coil has not had 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 is required in specific country regulations, including taxation.

During 2009, management has worked to mitigate the risk resulting from these deficiencies by emphasizing the oversight and diligence of the certifying officers. The Company has hired qualified financial reporting and accounting personnel, and engaged the services of qualified taxation consultants to assist with certain complex and non-routine accounting and tax issues that may arise. In addition, Xtreme Coil has centralized the corporate accounting function in the Houston, Texas office.

Furthermore, during 2009 3Q United States-based general accounting activities were moved from Casper, Wyoming to the Company's Houston, Texas headquarters in an effort to reduce costs and enhance coordination and efficiency.

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', 'EBITDA' and 'net debt' do not have standardized meanings prescribed by GAAP. Xtreme Coil's method of calculating operating days, rig utilization, gross margin, EBITDA and net debt 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 for each drilling rig in the fleet during 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 total operating days of each rig divided by total days in service for each rig.

**Management's Discussion and Analysis ("MD&A")
For the three and nine months ended September 30, 2009**

(\$ in thousands, except where indicated)

Gross Margin

Gross margin represents the revenue minus operating expenses. Management believes gross margin is a useful supplemental measure of the financial performance of Xtreme Coil's principal business activities before considering how activities are financed or taxed, as well as other expenses not closely associated with activity levels. The following is a reconciliation of gross margin to net income as calculated in accordance with GAAP.

	Three months ended		Nine months ended	
	2009 Sep 30	2008 Sep 30	2009 Sep 30	2008 Sep 30
Net income (loss)	2,734	1,278	7,039	233
Tax expense (recovery)	2,729	595	2,573	53
Net interest expense	680	898	2,559	1,981
Loss (gain) on sale / repurchase of equipment	(38)	38	(38)	38
Foreign exchange loss (gain)	(1,969)	309	(2,744)	231
Stock-based compensation	350	420	943	720
Amortization of intangibles	71	68	212	202
Depreciation of capital assets	3,012	2,293	8,591	5,410
Selling, general and administrative	4,167	2,251	9,780	4,617
Gross margin	11,736	8,150	28,915	13,485

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. EBITDA per share is defined as EBITDA divided by the Company's basic number of common shares. Management believes EBITDA and EBITDA per share are useful supplemental measures 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. Following is a reconciliation of EBITDA and EBITDA per share to net income and net income per share as calculated in accordance with GAAP.

	Three months ended		Nine months ended	
	2009 Sep 30	2008 Sep 30	2009 Sep 30	2008 Sep 30
Net income (loss)	2,734	1,278	7,039	233
Tax expense (recovery)	2,729	595	2,573	53
Net interest expense	680	898	2,559	1,981
Loss (gain) on sale / repurchase of equipment	(38)	38	(38)	38
Foreign exchange loss (gain)	(1,969)	309	(2,744)	231
Stock-based compensation	350	420	943	720
Amortization of intangibles	71	68	212	202
Depreciation of capital assets	3,012	2,293	8,591	5,410
EBITDA	7,569	5,899	19,135	8,868
EBITDA per share (\$)	0.14	0.15	0.43	0.23

Net Debt

Net debt is a measurement used by management and the investment community which is composed of the amount of debt minus working capital.

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.

Recoverable amounts for equipment and intangible assets

The carrying value of equipment and intangible assets is periodically reviewed for impairment or when 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,

**Management's Discussion and Analysis ("MD&A")
For the three and nine months ended September 30, 2009**

(\$ in thousands, except where indicated)

unanticipated changes to these assumptions could require a provision for impairment in the future. During 2009, Xtreme Coil made no adjustments to the carrying value of these assets.

Depreciation

Accounting estimates related to depreciation and amortization have a significant impact on financial results. 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 analyze 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 September 30, 2009 which would alter our assessment of the year-end testing. Goodwill is allocated to operations in Mexico.

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. Xtreme Coil will 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 significant differences in recognition, measurement and disclosure criteria exist between the two reporting standards. 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. Management has also engaged an external expert advisor.

Xtreme Coil 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. The Company cannot make a reasonable determination of financial impacts as a result of the adoption of IFRS at this time. Based on initial assessments, management has identified property, plant and equipment and employee benefits as

**Management's Discussion and Analysis ("MD&A")
For the three and nine months ended September 30, 2009**

(\$ in thousands, except where indicated)

potential areas most likely to impact Xtreme Coil's accounting. There will be a significant amount of effort needed to comply with the IFRS requirements for initial adoption of IFRS. During the remainder of 2009, we will complete a 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, and 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 Xtreme Coil 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 United States and Mexico 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 as self-sustaining as of January 1, 2009. As a result of this change in accounting policy, Xtreme Coil has recognized a total of \$2,876 in Accumulated Other Comprehensive loss comprised of \$29,364 comprehensive loss for the nine months ended September 30, 2009 and \$26,488 comprehensive income in the periods prior to January 1, 2009.

Depreciation

Xtreme Coil depreciates drilling rigs using a units-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 units-of-production method of depreciation we apply to drilling equipment which recognizes usage of equipment is the most appropriate basis for allocating the depreciable value over its useful life.

Xtreme Coil depreciates drill pipe on a straight-line basis over eight years. We considered other alternatives including units-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 which include a fixed or determinable price based upon dayrates. We recognize revenue when services are rendered.

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 operational 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 Mexico 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 availability of goods and services, can be subjected to delays while the authorities negotiate access or settle local disputes.

**Management's Discussion and Analysis ("MD&A")
For the three and nine months ended September 30, 2009**

(\$ in thousands, except where indicated)

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.

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 owed 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 customers. Xtreme Coil accounts receivable is recorded net of a provision of \$492 (2008 Dec 31 – \$494). To offset its credit risk, Xtreme Coil buys trade credit insurance, which covers 90% of trade receivables under 90 days for named buyers.

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

Accounts receivable	2009 Sep 30	2008 Dec 31
Receivables less than 90 days	\$ 23,197	\$ 22,427
Receivables greater than 90 days (for which no provision is considered necessary)	5,894	4,864
	\$ 29,091	\$ 27,291

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 reduce bank indebtedness.

Foreign exchange – Foreign exchange volatility may give rise to gains or losses which have an effect on Xtreme Coil's financial results. Xtreme Coil reports all activities in CAD. As of the previously announced execution of the eight new contracts that were effective September 1, 2009, all of the Company's contracts are denominated in USD. As a result, fluctuations in the value of the USD relative to the CAD will give rise to fluctuations in reported revenue. Xtreme Coil is also exposed to risk from fluctuations in foreign currency exchange rates in the United States and Mexico where operating expenses denominated in USD and MXN are translated into CAD during the reporting period.

Monetary and non-monetary assets and liabilities denominated in foreign currencies are translated at the current rate as at 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. The Company does not utilize derivative instruments to manage its exposure to foreign currency rate fluctuations. Currently, a 1% change in the foreign currency exchange rate would result in a change in other comprehensive income of \$2,300.

**Management's Discussion and Analysis ("MD&A")
For the three and nine months ended September 30, 2009**

(\$ in thousands, except where indicated)

Interest rates – Xtreme Coil is exposed to interest rate risk to the extent changes in market interest rates can impact operating and term loan facilities which are subject floating interest rates. For 2009 3Q, an increase or decrease of one percent in the effective interest rate would have changed net income by approximately \$108, or \$430 on an annualized basis.

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 for which we have applied may not be issued.

Demand for contract drilling services – Demand for Xtreme Coil's COTD™ contract drilling services depends to a large extent on the level of oil and natural gas industry activity which also influences the potential to extend or continue our 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 prices and availability 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 our 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 of the recession which began in late 2008 continued through 2009 3Q with rig counts remaining well below historical averages in North America. While Xtreme Coil was successful in raising equity during 2009 2Q, credit and equity markets continue to exhibit historically high levels of volatility and access to these markets remains somewhat constrained.

Early in 2009 3Q, Xtreme Coil's wholly-owned subsidiary, Xtreme Coil Drilling Mexico, S.A. de C.V., executed long-term contracts with a global integrated oilfield services customer for two XTC 200DT^{Plus} rigs which commenced operations in Mexico late in 2009 3Q. Subsequent to those contracts, we entered into eight new long-term day rate contracts for COTD™ drilling rigs with the same customer. These long-term contracts cover a term of 18 months of 100 percent utilization at day rates substantially similar to expiring contracts and include options for three six-month extension periods.

Xtreme Coil now has all ten rigs in Mexico contracted into 2011. Under these contracts, the ten drilling rigs in Mexico will continue to operate in the Chicontepec oil development project near Poza Rica in the state of Veracruz.

Xtreme Coil has thirteen of its sixteen rigs operating under long-term contracts in Mexico and the United States. We expect this will improve 2009 4Q operating days compared to 2009 3Q. We did not win any contracts on the spot drilling market in 2009 3Q. The increase in rig utilization and operating days in 2009 3Q compared to 2009 2Q related to the commencement of operations under long-term contracts for two rigs in late 2009 2Q and an additional two rigs in late 2009 3Q. We anticipate that this increase in rig utilization should contribute favourably to cash flow from operating activities during the remainder of 2009.

**Management's Discussion and Analysis ("MD&A")
For the three and nine months ended September 30, 2009**

(\$ in thousands, except where indicated)

We continue to pursue and evaluate opportunities for drilling projects inside and outside North America. Additionally, we believe there are opportunities in the Middle East, North Africa, Australia and Asia. Generally, these regions have relatively stable drilling demand compared to the United States and Canada where drilling markets have only recently showed early signs of increased rig counts.

Xtreme Coil believes the drilling market in Mexico will remain stable during the remainder of 2009. Although certain media coverage several weeks ago suggested uncertainties with regard to development in the Chicontepec project, Xtreme Coil continues to operate at full utilization in that region. We understand the operator is preparing 2010 budgets and operational plans for 2010. We are prepared to pursue any additional tenders made available to companies who are potential customers for Xtreme Coil rigs. Management believes Xtreme Coil offers the newest drilling rigs and differentiating technology which may position us to respond to any potential changes in development plans.

Throughout 2009 3Q and in early 2009 4Q, Xtreme Coil customized an existing XTC 200 series drilling rig to prepare it for potential re-entry work in the Middle East. We recently invited potential customers and service providers to tour the rig on-site in south Texas and technical feedback was positive.

For the remainder of 2009, Xtreme Coil will continue to advance strategic opportunities for contracts within and outside of North America. In response to interest generated from discussions initiated throughout 2009 in several international drilling regions we are discussing a range of projects which could utilize the advanced capabilities of our COTD™ drilling rigs.

Additional Information

Information relating to Xtreme Coil is available on SEDAR at www.sedar.com. To obtain copies of published corporate information, contact investor relations at Xtreme Coil Drilling Corp., 1402, 500 Fourth Avenue SW, Calgary, AB T2P 2V6 (telephone +1 403.262 9500), visit Xtreme Coil's website www.xtremecoildrilling.com or e-mail ir@xtremecoil.com.

Xtreme Coil Drilling Corp.
Consolidated Balance Sheets
(in thousands)
(unaudited)

	2009 Sep 30	2008 Dec 31
Assets		
Current assets		
Cash and cash equivalents	\$ 20,509	\$ 2,010
Accounts receivable (Notes 4 and 12)	29,091	27,291
Other receivables (Note 5)	8,135	7,966
Prepaid expenses	2,442	1,218
Inventory (Note 6)	2,515	1,045
	62,692	39,530
Future income tax	4,819	4,966
Equipment (Note 7)	244,928	238,345
Intangible assets (Note 8)	4,879	4,923
Goodwill (Notes 2 and 9)	1,630	1,630
	\$ 318,948	\$ 289,394
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness (Note 10)	–	7,878
Accounts payable and accrued liabilities (Note 12)	12,544	14,215
Income tax payable	1,792	1,354
Current portion of obligations under capital leases (Note 12)	–	75
Current portion of long-term debt (Note 10)	11,838	9,825
	26,174	33,347
Long-term liabilities		
Obligations under capital leases (Note 12)	–	35
Long-term debt (Note 10)	35,405	49,105
	35,405	49,140
Shareholders' equity		
Share capital (Note 11)	252,777	207,462
Warrants (Note 11b)	1,630	1,630
Contributed surplus (Note 11c)	4,437	3,453
Retained earnings (deficit)	1,401	(5,638)
Accumulated other comprehensive loss	(2,876)	–
	257,369	206,907
	\$ 318,948	\$ 289,394
Commitments and contingencies (Note 14)		

See accompanying notes to the consolidated financial statements.

Xtreme Coil Drilling Corp.
Consolidated Statement of
Income (Loss) and Retained Earnings (Deficit)

(in thousands, except share and per share data)
(unaudited)

	Three Months ended 2009 Sep 30	Three Months ended 2008 Sep 30	Nine Months ended 2009 Sep 30	Nine Months ended 2008 Sep 30
Revenue	\$ 26,153	\$ 26,328	\$ 72,119	\$ 49,190
Expenses				
Operating expenses	14,417	18,178	43,204	35,705
Selling, general and administrative	4,167	2,251	9,780	4,617
Depreciation of capital assets	3,012	2,293	8,591	5,410
Amortization of intangibles	71	68	212	202
Stock-based compensation	350	420	943	720
Foreign exchange loss (gain)	(1,969)	309	(2,744)	231
Loss (gain) on sale/ repurchase of equipment	(38)	38	(38)	38
Net Interest expense	680	898	2,559	1,981
Income before tax for the period	5,463	1,873	9,612	286
Tax recovery (expense)				
Current	(2,828)	-	(1,732)	-
Future	99	(595)	(841)	(53)
Net income for the period	2,734	1,278	7,039	233
Deficit, beginning of period	(1,333)	(9,424)	(5,638)	(8,379)
Retained earnings (deficit), end of period	1,401	(8,146)	1,401	(8,146)
Net income per common share				
– basic	\$ 0.05	\$ 0.03	\$ 0.16	\$ 0.01
– diluted	\$ 0.05	\$ 0.03	\$ 0.16	\$ 0.01
Weighted average number of common shares (Note 11e)				
– basic	52,844,789	40,559,647	44,854,435	37,859,072
– diluted	53,593,863	41,491,684	44,935,321	38,875,260

See accompanying notes to the consolidated financial statements.

Xtreme Coil Drilling Corp.
Consolidated Statements of
Comprehensive Income (Loss)

(in thousands)

(unaudited)

	Three Months ended 2009 Sep 30	Three Months ended 2008 Sep 30	Nine Months ended 2009 Sep 30	Nine Months ended 2008 Sep 30
Net income	\$ 2,734	\$ 1,278	\$ 7,039	\$ 233
Other comprehensive income (loss)				
Unrealized loss on translating financial statements of self-sustaining foreign operations	(18,671)	-	(29,364)	-
Comprehensive income (loss)	\$ (15,937)	\$ 1,278	\$ (22,325)	\$ 233

See accompanying notes to the consolidated financial statements.

Xtreme Coil Drilling Corp.
Consolidated Statements of
Accumulated Other Comprehensive Loss

(in thousands)

(unaudited)

	Three Months ended 2009 Sep 30	Three Months ended 2008 Sep 30	Nine Months ended 2009 Sep 30	Nine Months ended 2008 Sep 30
Accumulated other comprehensive income				
– beginning of period	\$ –	\$ –	\$ –	\$ –
Impact of translating financial statements of self-sustaining foreign operations beginning of period <i>(Note 3)</i>	15,795	-	26,488	-
Unrealized loss on translation of foreign operations during the current period <i>(Note 3)</i>	(18,671)	-	(29,364)	-
Accumulated other comprehensive loss				
– end of period	\$ (2,876)	\$ –	\$ (2,876)	\$ –

See accompanying notes to the consolidated financial statements.

Xtreme Coil Drilling Corp.
Consolidated Statement of Cash Flows

(in thousands)

(unaudited)

	Three Months ended 2009 Sep 30	Three Months ended 2008 Sep 30	Nine Months ended 2009 Sep 30	Nine Months ended 2008 Sep 30
Cash provided by (used in) operating activities				
Net income for the period	\$ 2,734	\$ 1,278	\$ 7,039	\$ 233
Items not affecting cash:				
Depreciation and amortization	3,083	2,361	8,803	5,612
Stock-based compensation	350	420	943	720
Loss (gain) on sale of equipment	(38)	38	(38)	38
Amortization of financing cost	–	153	276	206
Unrealized foreign exchange loss (gain)	(1,947)	294	(3,048)	294
Future income tax expense (recovery)	(99)	595	841	53
	4,083	5,139	14,816	7,156
Changes in non-cash operating working-capital (Note 16)	(1,334)	(21,952)	(1,855)	(22,023)
	2,749	(16,813)	12,961	(14,867)
Financing activities				
Proceeds from shares issued	–	–	47,203	35,030
Share issue costs	–	(42)	(2,757)	(890)
Proceeds from exercise of stock options	96	300	96	300
Proceeds from other long-term liabilities (Note 9)	–	–	–	4,080
Proceeds from (reduction of) long-term debt	(12,231)	24,337	(11,687)	22,757
Repayment of operating facility	(4,787)	–	(7,878)	–
Capital lease payments	(66)	(21)	(110)	(61)
	(16,988)	24,574	24,867	61,216
Investing activities				
Proceeds from sale of equipment	102	–	368	–
Proceeds from sale of equipment to joint venture (Note 9)	–	–	–	5,873
Capital expenditures	(10,983)	(21,786)	(15,488)	(47,889)
Increase in intangibles	(34)	(64)	(168)	(120)
Changes in non-cash working capital relating to capital items (Note 16)	2,028	3,525	(4,041)	(5,544)
	(8,887)	(18,325)	(19,329)	(47,680)
Increase (decrease) in cash and cash equivalents during the period	(23,126)	(10,564)	18,499	(1,331)
Cash and cash equivalents, beginning of period	43,635	9,616	2,010	383
Cash and cash equivalents, end of period	\$ 20,509	\$ (948)	\$ 20,509	\$ (948)
Supplemental disclosure of cash flow information				
Interest received	\$ 15	\$ 5	\$ 15	\$ 22
Interest paid	693	434	2,295	1,481
Income tax paid	1,014	–	1,152	–
Non-cash transactions				
purchase; repayment of joint venture loan	–	–	–	8,000

See accompanying notes to the consolidated financial statements.

Xtreme Coil Drilling Corp.
Notes to the unaudited Consolidated Financial Statements
For the three and nine months ended September 30, 2009
(\$ in thousands, except where indicated)

1. Nature of operations

Xtreme Coil Drilling Corp. ("Xtreme Coil", the "Company") was incorporated May 24, 2005 under the Business Corporations Act of Alberta. The Company develops and operates coiled tubing drilling rigs using Xtreme Coil's patented and patent-related coil rig designs and technology. On completion of the Coil Over Top Drive® ("COTD™") 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 Houston, Texas and the Company has an additional corporate office in Calgary, Alberta, Canada. 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") were prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include 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 and nine months ended September 30, 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 Company. The adoption of these updated standards did not have a material impact on the earnings or assets of the Company.

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 Company 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 its impact. An external expert has been engaged to advise the Company with regard to the adoption of IFRS.

Xtreme Coil Drilling Corp.
Notes to the unaudited Consolidated Financial Statements
For the three and nine months ended September 30, 2009
(\$ in thousands, except where indicated)

The Company 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 Company 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 and employee benefits are most likely to impact the Company'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 Company will complete a detailed analysis and evaluation of the financial impact of the issues identified related to adoption of the new Standards. Additionally, the impact on the Company's financial reporting computer systems will be assessed.

– 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 Company prior to January 1, 2009. By September 30, 2009, the México subsidiary was operating ten rigs generating significant revenues. The subsidiary is now generating income sufficient to fund its own operations, thereby eliminating the need for further financing from the Company. Similarly, the Company's United States subsidiary has been operating three rigs throughout the nine months ended September 30, 2009 and did not require borrowings from the Company to finance its day-to-day operations.

As a result, Xtreme Coil 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 subsidiary 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 \$2,876 in Accumulated Other Comprehensive loss, comprised of \$29,364 comprehensive loss for the nine months ended September 30, 2009, and \$26,488 comprehensive income in the periods prior to January 1, 2009.

4. Accounts receivable

	2009 Sep 30	2008 Dec 31
	\$ 29,091	\$ 27,291

Accounts receivable include primarily trade receivables which have been recorded net of a provision for doubtful accounts of \$492 at September 30, 2009 (at December 31, 2008 – \$494).

5. Other receivables

	2009 Sep 30	2008 Dec 31
	\$ 8,135	\$ 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 and 2009. The Company has applied for a refund of these amounts.

Xtreme Coil Drilling Corp.
Notes to the unaudited Consolidated Financial Statements
For the three and nine months ended September 30, 2009
(\$ in thousands, except where indicated)

6. Inventory

	2009 Sep 30	2008 Dec 31
Coiled tubing and parts inventory	\$ 2,515	\$ 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 expenses related to transportation and handling.

7. Equipment

	2009 Sep 30			2008 Dec 31	
	Cost	Accumulated amortization	Net book value	Net book value	
Office and shop equipment	\$ 4,160	\$ 960	\$ 3,200	\$ 3,426	
Leasehold improvements	200	25	175	31	
Vehicles	1,818	586	1,232	1,277	
Trucking equipment	3,083	1,241	1,842	2,603	
Drilling equipment	245,906	13,476	232,430	226,209	
Drilling equipment – construction in progress	6,049		6,049	4,799	
	\$ 261,216	\$ 16,288	\$ 244,928	\$ 238,345	

Xtreme Coil depreciates drilling rigs beginning on the date they commence operations. The rigs are depreciated using the units-of-production method based on an estimated useful life of 5,000 days. Other assets are depreciated on a straight-line basis with estimated useful lives ranging from three to ten years. Although Xtreme Coil has a number of components in inventory for two additional drilling rigs, the Company's rig build program is currently suspended due to economic uncertainty and decreased demand in North American drilling markets.

8. Intangible assets

	2009 Sep 30			2008 Dec 31	
	Cost	Accumulated amortization	Net book value	Net book value	
Patents	\$ 5,750	\$ 871	\$ 4,879	\$ 4,923	

As at September 30, 2009, Xtreme Coil held nine patents related to new technologies for drilling with coiled tubing and conventional drill pipe as well as certain rig transportation methods. The United States Patent and Trademark office has issued six patents, the Canadian Intellectual Property Office has issued two patents and jurisdictions in Eurasia have issued one patent to Xtreme Coil.

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.

Xtreme Coil Drilling Corp.
Notes to the unaudited Consolidated Financial Statements
For the three and nine months ended September 30, 2009
(\$ in thousands, except where indicated)

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
Total purchase price	\$	5,550
Financed as follows:		
New equity issued	\$	3,920
Warrants		1,630
	\$	5,550

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 extendible credit facilities with a syndicate of Canadian financial institutions which require Xtreme Coil to maintain certain financial covenants. At June 30, 2009 and September 30, 2009, the Company was in compliance with all of the financial covenants associated with its credit facilities; however, at March 31, 2009, the Company 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.

On May 29, 2009, the Company executed the second amendment to its extendible credit agreement. The amendment extends the Company's credit facilities, continuing its \$15,000 operating loan facility ("Tranche A") and converting its \$60,000 revolving credit facility into an extendible term loan ("Tranche B").

a. Operating facility

Xtreme Coil's \$15,000 operating loan facility bears interest at the bank's prime rate plus 1.50 percent and is secured by accounts receivable. The effective average interest rate for 2009 3Q was approximately 5.25 percent (2008 3Q – 6.25 percent). As of September 30, 2009, the Company had no borrowings outstanding under this facility (December 31, 2008 – \$7,878)

b. Long-term debt, net of financing costs

The amended Tranche B facility requires minimum principal payments based on a five-year amortization of the outstanding balance of \$59,683 at May 29, 2009. Quarterly installments in arrears began June 30, 2009 and continue until the stated maturity date of January 4, 2011, at which time the remaining facility balance becomes due and payable unless the facility is extended. Under the terms of the amending agreement, Xtreme Coil may request extension of the facility at any time more than 90 days before the stated maturity date. A debt service coverage ratio covenant replaces the EBIT interest coverage and funded debt to EBITDA covenants that previously applied to quarterly financial reporting periods.

The extendible term loan bears interest at the bank's prime rate plus up to 2.25 percent in 2009 3Q (2008 3Q bank's prime rate plus 1.50 percent). The weighted average interest rate during 2009 3Q was approximately 4.5 percent (2008 3Q – 6.5 percent). The facility is secured by a general security agreement over all present and future assets, excluding Xtreme Coil's intellectual property.

Xtreme Coil Drilling Corp.
Notes to the unaudited Consolidated Financial Statements
For the three and nine months ended September 30, 2009
(\$ in thousands, except where indicated)

At September 30, 2009, approximately \$13,990 CAD equivalent (2008 Dec 31 – approximately \$20,700 CAD) of borrowing under the extendible term loan was denominated in USD.

At September 30, 2009, \$11,838 (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. Interest expense on the extendible term loan during 2009 3Q was \$665 (2008 3Q – \$653) (*Note 12 – Financial instruments*).

	2009 Sep 30	2008 Dec 31
Extendible term loan	\$ 47,243	\$ 59,206
Less: current portion of long-term debt	(11,838)	(9,825)
	\$ 35,405	\$ 49,381
Less: unamortized financing cost related to long-term debt	–	(276)
	\$ 35,405	\$ 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. This table provides a summary of issued and outstanding common shares.

	Nine months ended 2009 Sep 30		Year ended 2008 Dec 31	
	Number	Amount	Number	Amount
Balance, beginning of period	40,726,169	\$ 207,462	33,965,407	\$ 162,814
Bought deal equity offering, net of issue costs of \$2,757	11,845,000	43,438	–	–
Private placement	258,500	1,008	4,780,000	34,100
Private placement for purchase of joint venture	–	–	1,092,896	8,000
Performance warrants exercised	–	–	666,666	6
Employee options exercised	32,000	96	281,200	664
Employee options purchased	–	–	(60,000)	(389)
Transferred from contributed surplus	–	11	–	2,030
Future income tax effect of common shares issue cost at expected tax rates	–	762	–	237
	12,135,500	45,315	6,760,762	44,648
Balance, end of period	52,861,669	\$ 252,777	40,726,169	\$ 207,462

a. Equity offerings

On June 29, 2009, Xtreme Coil completed a bought deal equity offering of 11,845,000 common shares at a price of \$3.90 per share for gross proceeds of \$46,195. Issue costs of \$2,757 resulted in net proceeds of \$43,438.

On June 29, 2009, Xtreme Coil completed a non-brokered private placement offering of 258,500 common shares at a price of \$3.90 per share for gross proceeds of \$1,008.

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. (*Note 9*).

Xtreme Coil Drilling Corp.
Notes to the unaudited Consolidated Financial Statements
For the three and nine months ended September 30, 2009
(\$ in thousands, except where indicated)

b. Expiry of warrants

The 700,000 performance warrants issued on May 1, 2008 expired on May 1, 2009, since the holder did not 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.

c. Contributed surplus

	Nine months ended 2009 Sep 30	Year ended 2008 Dec 31
Contributed surplus, beginning of period	\$ 3,453	\$ 3,066
Stock-based compensation	995	1,319
Warrants cancelled on purchase of joint venture	-	1,098
Contributed surplus transferred on exercise of options and warrants	(11)	(2,030)
Contributed surplus, end of period	\$ 4,437	\$ 3,453

d. Stock options outstanding

The Company'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 exchange 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 3Q, the board of directors approved granting of options to purchase 269,000 common shares (2008 3Q – 350,000). As of September 30, 2009, a total of 3,817,000 options (2008 Dec 31 – 2,969,000) were outstanding. During the three months ended September 30, 2009, the Company recorded stock-based compensation expense of \$350 (2008 3Q – \$420) 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 1.2 to 4.6 percent; (iii) an average life of 3.0 years and; (iv) an expected volatility of up to 72 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.

Xtreme Coil Drilling Corp.
Notes to the unaudited Consolidated Financial Statements
For the three and nine months ended September 30, 2009
(\$ in thousands, except where indicated)

This table summarizes the status of Xtreme Coil's Stock Option Plan at September 30, 2009.

	Nine months ended 2009 Sep 30		Year ended 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	1,197,000	2.67	1,392,000	7.22
Exercised	(32,000)	3.00	(281,200)	3.00
Forfeited	(317,000)	7.61	(154,000)	8.40
Outstanding, end of period	3,817,000	4.68	2,969,000	5.79
Options exercisable, end of period	1,616,992	\$ 4.75	1,472,662	\$ 4.24

Range of exercise prices	Options outstanding			Options exercisable		
	Number outstanding	Weighted average remaining contractual	Weighted average exercise price	Number exercisable	Weighted average exercise price	
\$1.50 - \$ 4.50	2,320,000	2.7 yrs	\$ 2.75	1,168,000	\$ 3.06	
\$4.51 - \$ 6.99	556,000	4.3 yrs	5.15	10,000	4.85	
\$7.00 - \$10.50	874,000	3.4 yrs	8.99	379,660	8.85	
\$10.51 - \$13.52	67,000	2.1 yrs	11.65	59,332	11.71	
	3,817,000	3.1 yrs	\$ 4.68	1,616,992	\$ 4.75	

e. 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.

	Three months ended 2009 Sep 30	Three months ended 2008 Sep 30	Nine months ended 2009 Sep 30	Nine months ended 2008 Sep 30
Weighted average common shares outstanding – basic	52,844,789	40,559,647	44,854,435	37,859,072
Effect of options and warrants	749,074	932,037	80,886	1,016,188
Weighted average common shares outstanding – diluted	53,593,863	41,491,684	44,935,321	38,875,260

Xtreme Coil Drilling Corp.
Notes to the unaudited Consolidated Financial Statements
For the three and nine months ended September 30, 2009
(\$ in thousands, except where indicated)

12. Financial instruments

– *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*). To offset its credit risk, Xtreme Coil buys trade credit insurance, which covers 90% of trade receivables under 90 days for named buyers.

Xtreme Coil accounts receivable is recorded net of a provision of \$492 (December 31, 2008 – \$494).

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

Accounts receivable	2009 Sep 30	2008 Dec 31
Receivables less than 90 days	\$ 23,197	\$ 22,427
Receivables greater than 90 days (for which no provision is considered necessary)	5,894	4,864
	\$ 29,091	\$ 27,291

– *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 Company has, on occasion, not met certain covenants related to its credit agreement, it has thus far obtained any necessary waivers in regard to non-compliance from the lending syndicate of Canadian financial institutions. In 2009 3Q, the Company incurred approximately \$6,400 on custom modifications on one of its idle rigs to make it suitable for re-entry work in the Middle East. However, in general, future capital expenditures are being minimized as indicated by the temporary suspension of Xtreme Coil's rig expansion program.

– *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

Payments due by period

Contractual obligations	Total	Less than 1 Year	1 – 3 Years	4 – 5 Years
Accounts payable and accrued liabilities	\$ 12,544	\$ 12,544	\$ –	\$ –
Income tax payable	1,792	1,792	–	–
Operating leases	1,573	707	642	224
Extendible term loan	47,243	11,838	35,405	–
Commitments	2,200	2,200	–	–
Total contractual obligations	\$ 65,352	\$ 29,081	\$ 36,047	\$ 224

– *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.

Xtreme Coil Drilling Corp.
Notes to the unaudited Consolidated Financial Statements
For the three and nine months ended September 30, 2009
(\$ in thousands, except where indicated)

– *Foreign exchange risk*

Foreign exchange volatility may give rise to gains or losses which have an effect on Xtreme Coil's financial results. Xtreme Coil reports all activities in CAD. As of the previously announced execution of the eight new contracts that were effective September 1, 2009, all of the Company's contracts are denominated in USD. As a result, fluctuations in the value of the USD relative to the CAD will give rise to fluctuations in reported revenue. Xtreme Coil is also exposed to risk from fluctuations in foreign currency exchange rates in the United States and Mexico where operating expenses denominated in USD and MXN are translated into CAD during the reporting period.

Monetary and non-monetary assets and liabilities denominated in foreign currencies are translated at the current rate as at 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. The Company does not utilize derivative instruments to manage its exposure to foreign currency rate fluctuations. Currently, a 1% change in the foreign currency exchange rate would result in a change in other comprehensive income of \$2,300.

– *Interest rate risk*

Xtreme Coil is exposed to interest rate risk to the extent the changes in market interest rates can impact operating and long-term debt facilities which have a floating interest rate. At September 30, 2009, an increase or decrease of one percent in the effective interest rate would have impacted net income by approximately \$108 for the quarter, or \$430 on an annualized basis.

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.

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 Sep 30	2008 Dec 31
Shareholders' equity	\$ 257,369	\$ 206,907
Long-term debt	47,243	58,930
Bank indebtedness, net of cash and cash equivalents	(20,509)	5,868
Capital under management	\$ 284,103	\$ 271,705
Net debt as a percentage of capital under management	9	24
Net debt to equity ratio	0.1 : 1	0.3 : 1

Net debt is defined as total debt less cash.

Xtreme Coil is subject to externally imposed minimum debt to tangible net worth requirements relating to existing covenants under its credit facility. As of September 30, 2009, Xtreme Coil was in compliance with debt to tangible net worth requirements.

Xtreme Coil Drilling Corp.
Notes to the unaudited Consolidated Financial Statements
For the three and nine months ended September 30, 2009
(\$ in thousands, except where indicated)

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.

2009	\$	213
2010		596
2011		338
2012		269
2013		157
	\$	1,573

ii. Purchase commitments

With respect to contracts for the construction of Coil Over Top Drive® drilling rigs, Xtreme Coil has commitments of \$2,200 (December 31, 2008 – \$3,374) which are not reflected in these consolidated financial statements.

b. Contingencies

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

15. Segmented information

During 2009 3Q, Xtreme Coil provided contract drilling services in the United States and México (2008 3Q – Canada, United States and México). The table below segments information by geographic area.

Revenue	Three months ended 2009 Sep 30	Three months ended 2008 Sep 30	Nine months ended 2009 Sep 30	Nine months ended 2008 Sep 30
Canada	\$ –	\$ 1,306	\$ –	\$ 3,783
United States	5,688	18,465	18,896	38,850
México	20,465	6,557	53,223	6,557
Total	\$ 26,153	\$ 26,328	\$ 72,119	\$ 49,190

For the three months ended September 30, 2009, two customers accounted for revenue of \$26,153 or 100 percent. Of this total, Customer A accounted for \$5,753 (22 percent); Customer B accounted for \$20,400 (78 percent)

For the three months ended September 30, 2008, two customers accounted for revenue of \$14,700 or 56 percent. Of this total, Customer A accounted for \$8,100 (31 percent); Customer B accounted for \$6,600 (25 percent).

At September 30, 2009, Xtreme Coil had equipment located in the United States, México and Canada. The table below segments information by geographic area.

Equipment	2009 Sep 30	2008 Dec 31
Canada	\$ 338	\$ 1,163
United States	89,708	142,266
México	154,882	94,916
Total	\$ 244,928	\$ 238,345

Xtreme Coil Drilling Corp.
Notes to the unaudited Consolidated Financial Statements
For the three and nine months ended September 30, 2009
(\$ in thousands, except where indicated)

16. Changes in non-cash working capital

	Three months ended 2009 Sep 30	Three months ended 2008 Sep 30	Nine months ended 2009 Sep 30	Nine months ended 2008 Sep 30
Accounts receivable	\$ (3,088)	\$ (21,579)	\$ (1,969)	\$ (24,941)
Prepaid expenses	(1,811)	342	(1,224)	711
Inventory	188	(435)	(1,470)	(429)
Accounts payable and accrued liabilities	3,723	3,245	(1,671)	(2,908)
Income tax payable	1,682	-	438	-
Total	\$ 694	\$ (18,427)	\$ (5,896)	\$ (27,567)

Changes in non-cash working capital are categorized below.

	Three months ended 2009 Sep 30	Three months ended 2008 Sep 30	Nine months ended 2009 Sep 30	Nine months ended 2008 Sep 30
Operating activities	(1,334)	(21,952)	(1,855)	(22,023)
Investing activities	2,028	3,525	(4,041)	(5,544)
Total	\$ 694	\$ (18,427)	\$ (5,896)	\$ (27,567)



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Corporate information

Board of Directors

Randolph M. Charron^{4,5}
President
Characo Corporation
Calgary, AB

Daniel Z. Remenda^{2,3,5}
Independent Businessman
Calgary, AB

*Peter J. Sharpe*⁵
Executive Vice President, Wells
Shell International Exploration
and Production B.V.
The Hague, The Netherlands

Marc L. Staniloff^{2,3,4}
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^{2,3,4}
Vice Chairman
and Chief Executive Officer
Marble Point Energy Ltd.
Calgary, AB

*Thomas D. Wood*¹
Executive Chairman
Xtreme Coil Drilling Corp.
Calgary, AB

Officers

Thomas D. Wood
Executive Chairman

Rodney J. Uchytel
President and
Chief Executive Officer

Elizabeth T. Wilkinson
Chief Financial Officer

Richard D. Havinga
Chief Operating Officer

L. Ann Beattie
Corporate Secretary
Corporate and Investor Communication

Sales

Antonio Prince
Vice President,
International Marketing and
Business Development

Greg Nutter
Executive Account Manager,
New Ventures

Ron De Witt
Project Manager
Re-Entry Drilling

Corporate and Investor Relations

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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

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Wholly-owned Subsidiaries

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Joint Venture

Coil-X Drilling Systems Limited
Calgary, Alberta

¹ Chairman of the Board

² Audit Committee

³ Compensation Committee

⁴ Governance and Nominating Ctte

⁵ Health, Safety, Environment Ctte

Shareholders and other interested individuals can view Xtreme Coil public documents at www.xtremecoildrilling.com where we have posted historical information, shareholder reports, press releases, the current corporate presentation, as well as trading and contact information.