

Trican Well Service

52wk range: 9.95 – 25.06

Volume – 20,168

Market Cap – 3.4 Billion

P/E – NA

EPS – NA

Shares Outstanding – 143,637,000 Common shares

Big Fracking Profits

Fracking is the process of initiating, and subsequently propagating a fracture in a rock layer, employing the pressure of a fluid as the source of energy. The fracturing is done from a wellbore drilled into reservoir rock formations, in order to increase the extraction and ultimate recovery rates of oil and natural gas.

Hydraulic fractures may be natural or man-made and are extended by internal fluid pressure which opens the fracture and causes it to extend through the rock. Natural hydraulic fractures include volcanic dikes, sills and fracturing by ice as in frost weathering. Man-made fluid-driven fractures are formed at depth in a borehole and extend into targeted formations. The fracture width is typically maintained after the injection by introducing a proppant into the injected fluid. Proppant is a material, such as grains of sand, ceramic, or other particulates that prevent the fractures from closing when the injection is stopped.

This month, we're working on bringing you two companies in this sector that promise to be strong in the UW portfolio. Being that we're seeing gas and oil prices driven up to very high price points, alternatives to typical drilling are being considered and employed and getting in now I believe will benefit you greatly.

The first company is Tricac Well Service and the second is Flotek.

Good luck and have a profitable month.

Tim Fields

Snapshot

Trican Well Service (OTC: TOLWF.PK) provides a comprehensive array of specialized products, equipment and services that are used during the exploration and development of oil and gas reserves. The services provided by Trican includes fracturing, cementing, coiled tubing, nitrogen, acidizing, reservoir characterization, microseismic, industrial cleaning and pipeline services. Headquartered in Calgary, Alberta, Trican has operations in Canada, Russia, Kazakhstan, the U.S. and North Africa. The Canadian operations provide services to customers across the entire Western Canadian Sedimentary Basin (“WCSB”). Trican’s US operations are run from bases in Texas, Arkansas, Oklahoma, and Pennsylvania. In Russia and Kazakhstan, Trican conducts operations through bases in western and eastern Siberia, and in Kyzylorda and Aktau, Kazakhstan. Trican’s base in Algeria is in Hassi Messaoud. 60% of the Trican’s revenue comes from Canada whereas USA and International market contributes 27% and 12% of the company’s revenue respectively. Majority of the company’s revenue comes from Fracturing service line which contributes 74% of the total revenue and 14% to the company’s revenue comes from Cementing market. Trican is a technical leader in each of the service lines it offers to customers involved in the exploration and development of oil and natural gas reserves. Trican’s expertise and experience in pressure pumping are ranked among the most extensive in the industry. Trican’s shares trade on The Toronto Stock Exchange under the symbol “TCW”. As on March 2011, the company has 999,000 HP fracturing capacity, 77 Cement & 27 Acid Units and 42 Coiled Tubing & 61 N2 Units

Price Chart – Trican Well Services



Dec 2010 – May 2011

Key Highlights

Strong Customer Centric Team – Trican is a customer-focused provider of technical solutions. The company has strong regional technical teams that understand the local market. By understanding the industry and listening to customer needs, the company has been able to develop technical solutions to help customers be more successful.

Focus on Innovation and Technology improvement – Innovation and technology are key driving forces behind Trican's success. Trican is able to respond quickly and effectively to specific operational needs and geographic conditions by developing and implementing the right products, tools and procedures.

Top 50 best employers in Alberta–Named one of top 50 best employers in Alberta for the past four years and one of top 100 best employers in Canada for the past three years (by Maclean's Magazine)

Industry Snapshot

Outlook of Oil and gas industry looks positive owing to an improving economic trend in the USA and the rest of the world. Unrest in the OPEC countries and geographic tensions has made the crude oil prices more volatile and unpredictable. As such, crude oil's near-term fundamentals remain patchy but the long-term outlook for oil, however, remains favorable given the commodity's constrained supply picture.

According to the EIA, world crude consumption grew by an estimated 2.2 million barrels per day in 2010, to 86.6 million barrels per day, which more than made up for the losses of the previous 2 years and surpassed the 2007 level of 86.3 million barrels per day (reached prior to the economic downturn). According to EIA Short-Term Energy Outlook, it expects the current economic recovery to contribute towards global oil demand growth of 1.4 million barrels per day in 2011 and 1.6 million barrels per day in 2012. However, the EIA's most recent demand growth forecast for 2011 is 120,000 barrels per day lower than in the earlier version, as the agency sees high crude prices cutting into consumption. In its latest monthly oil report, OPEC said it expects world oil demand to grow by 1.4 million barrels per day in 2011, reflecting an upward revision of 20,000 barrels a day over the previous assessment. The organization maintained that oil supplies remain balanced despite the political crisis in the North African and Arab countries, as its members and other producers pump more crude.

Financial Highlights

Revenues of the company increased by 82% to USD 1,478.3 million in the year ended December 2010 as against USD 811.5 million for the year ended December 2009 mainly due to 106% jump in revenues from Canadian Operations which rose to USD 858 million as against USD 415 million for the same period last year. Expenses of the company rose 55% to USD 1147 million as against USD 741 million during the same period last year on account of increase in Materials and Operating expenses which rose 55% to USD 1078 million for the year ended December 2010 as against USD 695 million for the year ended December 2009. The year witnessed stupendous growth in Operating income which surged by 371% to USD 330 million for the year ended December 2010 as against USD 70 million in the same period last year. Trican reported net profit of USD 151 million for the year ended December 2010 as against a loss of USD 8.5 million for the year ended December 2009 on account of surge in operating income.

Risk factors

As the Company operates primarily in North America and Russia, fluctuations in the exchange rate between the U.S. dollar/Canadian dollar and Russian ruble/Canadian dollar can have a significant effect on the operating results and the fair value or future cash flows of the Company's financial assets and liabilities.

Any prolonged or substantial reduction in oil and natural gas prices would likely decrease the level of activity and expenditures in oil and gas exploration, development and production activities and, in turn, decrease the demand for Trican's services.

27% of the company's revenue comes from North American Markets contributed by 2 customers. The loss of key customers could cause Trican's revenue to decline substantially.

Trican's current operations and related assets are located in Russia, Kazakhstan and Algeria. As these countries are not stable from a political and economic stand point, Operations in these countries may be subject to a variety of risks which might have adverse impact on the company's revenue.

Investment rationale

Trican's is well positioned to grow well in the coming years owing to strong focus on customer oriented service, innovation and technology improvement coupled with a strong balance sheet. With both pricing and demand picking up across all the operating markets, Trian will continue to perform better in the coming years. A strong management team will help in taking the company to the next level. The company's future prospects looks promising considering growth in existing regions and immense growth opportunities in new international areas. Recovery in the oil and gas industry from 2009 recession will help Trican to generate growth and improve the revenues.

Untapped Wealth
May Edition

Flotek Industries, Inc

52wk range: 1.01 - 9.94
Volume – 665,478
Market Cap – 344.70 Million
P/E – N/A
EPS – -1.94
Shares Outstanding - 43,034,446 shares

Snapshot

Flotek Industries, Inc (NYSE: FTK) is a diversified global supplier of drilling and production related products and services to the oil and gas industry. The Company has three strategic business segments: Chemicals and Logistics, Drilling Products and Artificial Lift. The Chemicals and Logistics segments offers oil and natural gas field specialty chemicals for use in drilling, cementing, stimulation and production activities designed to maximize recovery within both new and mature fields. The specialty chemicals are manufactured to withstand a broad range of down-hole pressures, temperatures and other well-specific conditions and compliant with customer specifications. Flotek has two laboratories 1) a technical services laboratory and 2) a research and development laboratory focusing on design improvements, development and viability testing of new chemical formulations; as well as continued enhancement of existing products. The company's patented micro-emulsions environmentally friendly stable mixtures of oil, water and surface active agents that form complex nano-fluids which organize molecules into nanostructures. The logistics business segment designs, operates and manages automated bulk material handling and loading facilities. In the Drilling Products segment, Flotek provides downhole drilling tools used in the oilfield, mining, water-well and industrial drilling sectors. It manufactures, sells, rents and inspects specialized equipment for use in drilling, completion, and production and work over activities. The rental tools include stabilizers, drill collars, reamers, wipers, jars, shock subs, wireless survey, and measurement while drilling (MWD) tools and mud-motors, while equipment sold includes mining equipment, centralizers and drill bits. Flotek focuses its product marketing primarily in the Southeast, Northeast, Mid-Continent and Rocky Mountain regions of the United States, with international sales conducted through third party agents. In the Artificial lift segment, the company provides pumping system components, electric submersible pumps ("ESP's"), gas separators, production valves and complementary services. The company's patented Petro valve products optimize pumping efficiency in horizontal completions as well as heavy oil wells and wells with high liquid to gas ratios. Majority of the Artificial Lift products are manufactured in China. Flotek customers base include major integrated oil and natural gas companies, independent oil and natural gas companies, pressure pumping service companies and state-owned oil companies. The Company operates in select domestic and international markets, including the Gulf Coast, the Southwest, the Rocky Mountains, the Northeastern and Mid-Continental US, Canada, Mexico, Central America, South America, Europe, Africa and Asia and markets products domestically and internationally in over 20 countries.

Price Chart – Flotek Industries Inc



Dec 2010 – May 2011

Key Highlights

Entered a Common Stock Private Placement and Debt exchange Flotek has entered into definitive subscription agreements with accredited investors with respect to the private placement of shares of common stock for gross proceeds of approximately \$29.5 million. Flotek has entered into subscription agreements to sell 3,665,000 shares of common stock at a price of \$8.05 per share.

Strong fourth quarter performance – Flotek reported that revenue for the three months ended March 31,

2011 was \$52.9 million, an increase of \$24.5 million, or 86.5%, compared to \$28.4 million for the same period in 2010.

Best in class technology and cutting edge innovation – The company's technologies share a commitment to its vision and provide best-in-class technology, cutting-edge innovation to address the ever-changing challenges of our customers and exceptional customer service.

Industry Snapshot

Global economic growth and increased demand for oil and natural gas are the primary drivers of customer expenditures to develop and produce oil and natural gas. The recovery within the global economy began in 2010 and is anticipated to continue in 2011. Increased economic activity, particularly in emerging Asia and Middle East economies, and market predictions for continued economic growth supports expectations of increasing demand for oil and natural gas. Spending by oil and natural gas exploration and production companies, which is dependent upon forecasts of the expected future supply and future demand for oil and natural gas products and associated estimates of costs to find, develop, and produce reserves, increased in 2010 as compared to 2009. According to the EIA, world crude consumption grew by an estimated 2.2 million barrels per day in 2010, to 86.6 million barrels per day, which more than made up for the losses of the previous 2 years and surpassed the 2007 level of 86.3 million barrels per day (reached prior to the economic downturn). EIA (in its Short-Term Energy Outlook) expects the current economic recovery to contribute towards global oil demand growth of 1.4 million barrels per day in 2011 and 1.6 million barrels per day in 2012. However EIA's most recent demand growth forecast for 2011 is 120,000 barrels per day lower than in the earlier version, as the agency sees high crude prices cutting into consumption. According to OPEC's latest monthly oil report, it expects world oil demand to grow by 1.4 million barrels per day in 2011, reflecting an upward revision of 20,000 barrels a day over the previous assessment. The organization maintained that oil supplies remain balanced despite the political crisis in the North African and Arab countries, as its members and other producers pump more crude. The current recovery cycle looks challenging, as it differs from past cycles due to the overlay of continued worldwide uncertainties, including significant political unrest and radical regime and governmental changes in significant oil producing countries. Changes in product demand to liquid rich natural gas and oil products from natural gas products affected the type of industry drilling activity and increased petroleum pricing. Despite recent favorable activity, continued uncertainty in drilling activity in 2011 is expected due to a number of factors including commodity prices, global demand for oil and natural gas, supply and depletion rates of oil and natural gas reserves, as well as broader variables including government fiscal policies and current and potential political unrest in key petroleum producing countries.

Financial Highlights

Revenues of the company increased by 30.6% to USD 147 million in the year ended December 2010 as against USD 112.6 million for the year ended December 2009 owing to improved pricing, increased drilling activity, and slight recovery of industry demand for products. Revenues from the Chemicals

segment jumped 34% to USD 66.1 million for the year ended December 2010 as against USD 49.29 million for the year ended December 2009. Drilling Products segment reported a 29.6% rise in revenues to USD 65.8 million for the year ended December 2010. Similarly the Artificial Lift segment also witnessed significant growth reporting 20.8% jump in revenues to USD 15.1 million for the year ended December 2010 as against USD 12.5 million for the year ended December 2009. Operating cost of the company rose to USD 93 million for the year ended December 2010 as against USD 83 million for the same period last year. Gross Margin of the company surged by 80.3% to USD 53 million for the year ended December 2010 as against USD 29.4 million for the year ended December 2009. Surge in Gross Margins is on account of increased product sales and rise in rental revenue combined with direct operational expense savings offset. Net Loss of the company dropped to USD 43.46 million as against USD 50.33 million in the same period last year.

Risk factors

Demand for a majority of Company products and services is substantially dependent on the levels of expenditures within the oil and natural gas industry

Flotek's business is dependent upon domestic spending within the oil and natural gas industry. Spending could be adversely affected by industry conditions or by new or increased governmental regulations beyond the Company's control.

The Company's future success and profitability may be adversely affected if the Company or the Company's suppliers fail to develop and/or introduce new and innovative products and services.

If the Company does not manage the potential difficulties associated with expansion successfully, the Company's operating results could be adversely affected.

Flotek and its customers are subject to risks associated with doing business outside of the US including political risk, foreign exchange risk and other uncertainties.

The loss of key customers could have a material adverse effect on the Company's results of operations and could result in a decline in the Company's revenue.

Investment rationale

The outlook of Flotek seems impressive. The company is striving to become a leader in innovative oilfield technologies and is committed to improve operating processes, increasing market share both domestically and abroad. Flotek is witnessing rise in revenues across all of the Company's segments due to improved pricing, increased drilling activity, increased market share and recovery of industry demand for specialty oilfield products and technologies. The Company continues to see opportunities for future growth in 2011.

At current levels, Flotek is trading at all time high level however the stock is poised to grow further in the coming days.