



TSX:CFW

# Calfrac Well Services Ltd.

## Argentina Presentation – April 2015



# Forward Looking Statement



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# Company Snapshot



<b>TSX Stock Symbol</b>	<b>CFW</b>
<b>Share Price</b>	\$10.46 (17/04/2015)
<b>Market Capitalization</b>	\$999 Millions
<b>Quarterly Dividend</b>	\$0.125 per share
<b>Dividend Yield</b>	1.2 percent (17/04/2015)
<b>Shares Outstanding</b>	95.53 million (17/04/2015)
<b>30-Day Avg. Volume</b>	539,074 (17/04/2015)
<b>Insider Ownership</b>	~25%



*Note: A two-for-one share split has been approved and trading in the common shares on a split-adjusted basis commenced on June 2, 2014. The quarterly dividend has been adjusted to reflect the share split.*



# Calfrac's Size and Scope



**Sixteen**  
Years of Service

**~4,600**  
Employees

**1.25 Million**  
Hydraulic Horsepower

**Sixteen**  
Lab Facilities

**450**  
Primary  
Suppliers

**7<sup>th</sup> Largest**  
In Horsepower (North America)



**Revenue**  
92% Fracturing  
5% Coiled Tubing  
3% Cementing

**1.85**  
2014 TRIF

**+1.2MM** Short tons  
Proppant Pumped  
2013 North America

**24 Hour** Operations  
80% United States  
25% Canada

**+175**  
Customers  
Worldwide

# Unconventional Resource Potential



Technically Recoverable Shale Gas Resources		
Rank	Country	Shale Gas (TCF)
1	China	1,115
2	<b>Argentina</b>	<b>802</b>
3	Algeria	707
4	<b>U.S.</b>	<b>665</b>
5	<b>Canada</b>	<b>573</b>
6	<b>Mexico</b>	<b>545</b>
7	Australia	437
8	South Africa	390
9	<b>Russia</b>	<b>285</b>
10	Brazil	245
<b>World Total</b>		<b>7,299</b>

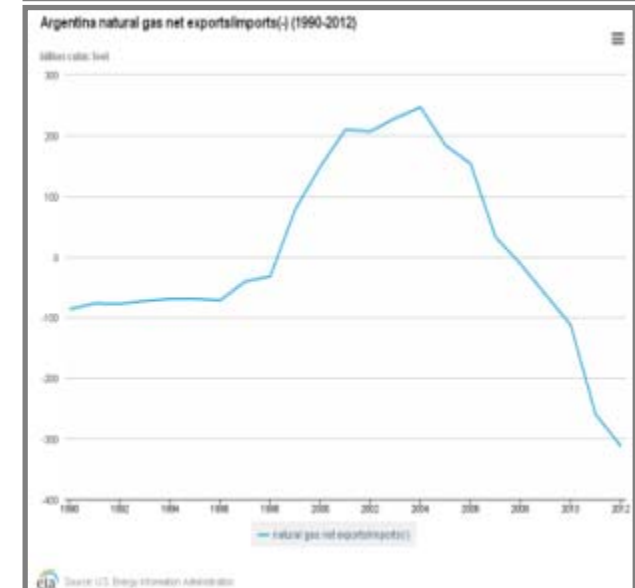
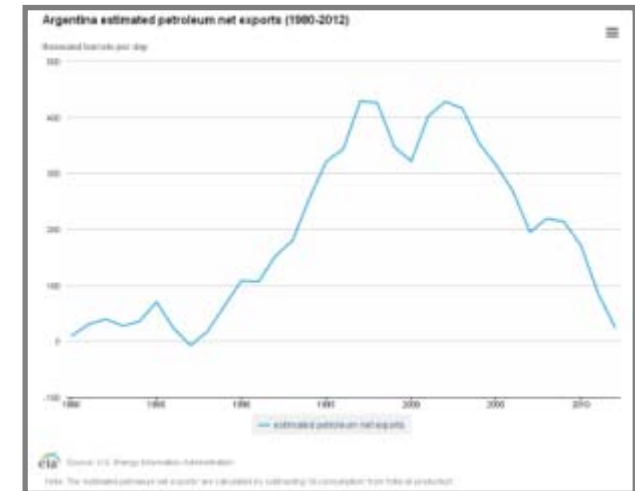
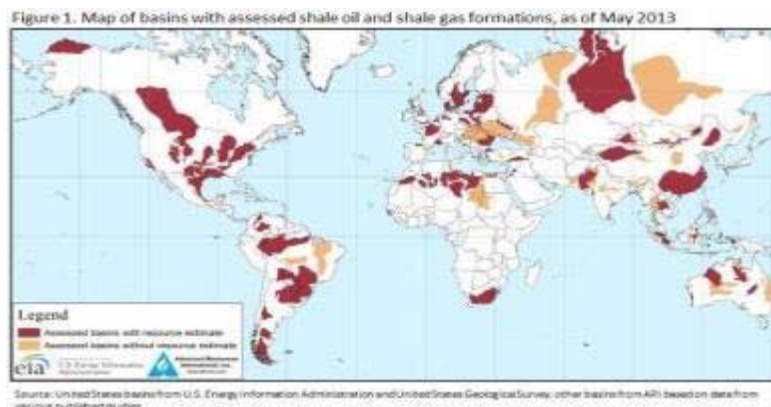


Technically Recoverable Shale Oil Resources		
Rank	Country	Shale oil (BN BBL)
1	<b>Russia</b>	<b>75</b>
2	<b>U.S.</b>	<b>58</b>
3	China	32
4	<b>Argentina</b>	<b>27</b>
5	Libya	26
6	Australia	18
7	Venezuela	13
8	<b>Mexico</b>	<b>13</b>
9	Pakistan	9
10	<b>Canada</b>	<b>9</b>
<b>World Total</b>		<b>345</b>



Source: EIA "Technically Recoverable Shale Oil and Shale Gas Resources," June 2013

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# Completions Activity Stays Resilient



- Contracts for 15 rigs on five year contracts recently awarded for Vaca Muerta activity
  - Represents ~15% activity increase in Argentina
  - Rigs expected to be active late 2015
  - Wells drilled by these rigs will be focused on unconventional development and have greater completion intensity
- Calfrac believes Vaca Muerta wells have seen completion stages range from 12 to 18 (Clusters for Plug and Perf)
- Still early days for completion design – *High pressure challenges*



*Chevron Rig in the Vaca Muerta*  
Source: [thisismoney.co.uk](http://thisismoney.co.uk) (Feb 2014)

# Conventional Activity Still Matters



- Conventional development
  - Economics more robust when compared to unconventional development (due to well costs)
    - Somewhat shielded from low cost of barrel
  - Profitability continues to generate strong return on capital metrics
- Conventional production
  - remains important piece of domestic energy supply puzzle



Source: [producersenergy.com](http://producersenergy.com)



# Key Challenges in Argentina



- Logistics
  - Sand, water, road regulations, etc.
- Operating efficiencies
  - Early stages
  - Initial results point to success in unconventional plays
- Repatriation of profits
  - A challenge, but profits are expected to be reinvested for a period of time
- Workforce
  - Heavily unionized but manageable
- Business environment
  - Can be slow moving and implementing change can be challenging



Source: Shell-Oxford Research Collaboration



# Crews & Facilities



	Neuquén	Catriel	Las Heras
Fracturing	1 Tight Gas Crews <i>(1 under contract)</i> 1 Shale crew <i>(on call)</i>	1 Conventional Crew <i>(under contract)</i>	2 Conventional Crews <i>(under contract)</i>
Coiled Tubing	6	-	-
Cementing	5	-	2

## Facilities

- Government approval to build new base in Neuquén
- Planning to finish Q4 2015
- Building a logistics/supply base in Añelo



**Argentina Fleet:**  
 68,000 Hydraulic Horsepower\*  
 7 Cementing Crews  
 6 Coiled Tubing Crews

\* Includes 32,000 hhp to be added in 2H14

# •CWS Argentina

## •Actual Fracturing Operations



### • Fracturing sets

#### • Neuquén/ Catriel:

- ▶ 1 Conventional sets (Catriel) / 1 Tight gas set – (Monthly contract) / 1 Shale set – “On call”

#### • Las Heras

- ▶ 2 convencional sets – Monthly contract

### • Operating bases

#### • Neuquén

- ▶ Biggest base with the most operating capacity for CWS in Argentina
- ▶ Currently constructing new base (7 Ha), (Granted by the government)

#### • Catriel

- ▶ Base supporting 1 conventional crew

#### ▶ Añelo

- ▶ Currently constructing a new facility in Añelo (4 Ha)

#### • Las Heras

- ▶ Currently operating in the San Jorge gulf basin

	Cementing	Coiled Tubing	Fracturing	Acid
Neuquén	√	√	√	
Catriel	√		√	√
Las Heras	√		√	
Añelo*				

# •CWS Argentina

•Current Equipment and PLAN for Q2-Q4 2015



## •Current Fleet (Q1 2015)

- **6 Fracturing Sets (4 Conventional – 1 TG – 1 Shale)**
  - ▶ 68,000 HHP
  - ▶ 2 Blenders x 120 BPM; 3 x 60 BPM; 2 x 45 BPM
  - ▶ Sand storage on location: 21,000 Sacs of proppant
  - ▶ HU – LAS – Frac Van - Manifolds – Water tanks
- **7 Cementing Sets**
  - ▶ 5 Twin cementing units ; 2 Single cementing units (single pump)
  - ▶ 2 Cement plants of 3000 sacs each
  - ▶ 2 Laboratory facilities (Neuquén & Las Heras)
- **6 Coiled Tubing Sets**
  - ▶ Light, intermediate and heavy units
    - ▶ **2 HydraRig units** (2" & > 5000 m)
  - ▶ Cranes, pumps and N2 units

## •Plan 2015 (Q3-Q4)

- **7 Fracturing Sets (4 Conventional – 1 TG – 2 Shale)**
  - ▶ 100,000 HHP
  - ▶ 4 Blenders x 120 BPM; 3 x 60 BPM; 2 x 45 BPM
  - ▶ Sand storage on location: 27,000 Sacs of proppant
  - ▶ HU – LAS – Frac Van- Manifolds - Water tanks
- **9 Cementing Sets**
  - ▶ 7 Twin cementing units ; 2 Single cementing units
  - ▶ 3 Cement plants of 3000 sacs each
  - ▶ 2 Laboratory facilities (Neuquén & Las Heras)
    - ▶ Additional lab testing equipment added
- **6 Coiled Tubing Sets**
  - ▶ Light, intermediate and heavy units
    - ▶ **2 HydraRig units** (2" & > 5000 m)
  - ▶ Additional coiled tubing strings (2")



# Market Activity



## Market Activity

- One of the largest pressure pumping companies in Argentina
- Contract win with YPF in fall of 2013 has created meaningful activity growth
- CWS looking to grow unconventionally with producers



*Argentina Crew & Fracturing Operation (Calfrac Photo)*

# Ancillary Services



- Coil Tubing
  - Profitable business
  - Equipment capabilities
    - 1 ¼" to 2" units that can work up to depths of 5,200 metres
  - Jobs primarily consists of pumping, matrix stimulation, well clean-up, running downhole motors and well clean-outs
  - Potential to begin annular frac work
- Cementing
  - CWS holds significant market share
- Other Services
  - Equipment, technical expertise, region experience and lab capabilities to service a wide range of customer requests



*Coil Tubing Services (Calfrac Photo)*



# Meeting New Demand



- Horsepower
  - Adding 32,000 HHP (2H14) to meet incremental demand
  - Planning to have 100,000 HHP by Q4 2015
- New Equipment
  - Mixture of imported and locally built equipment
  - Approximately 40% of Calfrac's equipment is currently built in Argentina



Argentina Fracturing Operations (Calfrac Photo)



# Mitigating Risk



- Repatriation of profits
  - Not currently an issue because Calfrac is in growth mode so profits will be reinvested in the business
- Currency Risk
  - Contracts based on USD
- Asset Security
  - Low likelihood of losing assets as country wants and needs Calfrac to develop the resource
  - Equipment can be exported out of the country

# Competitive Advantage - Operating History



- Understand operating complexities due to experience in the country
  - Coil Tubing and Cementing operations initiated in 2008
  - Fracturing operations began in May 2013
  - First Shale (Vaca Muerta) job Q4 2014 - YPF
- Strong relationships with stakeholders due to careful planning
- One of the newest fleets in Argentina

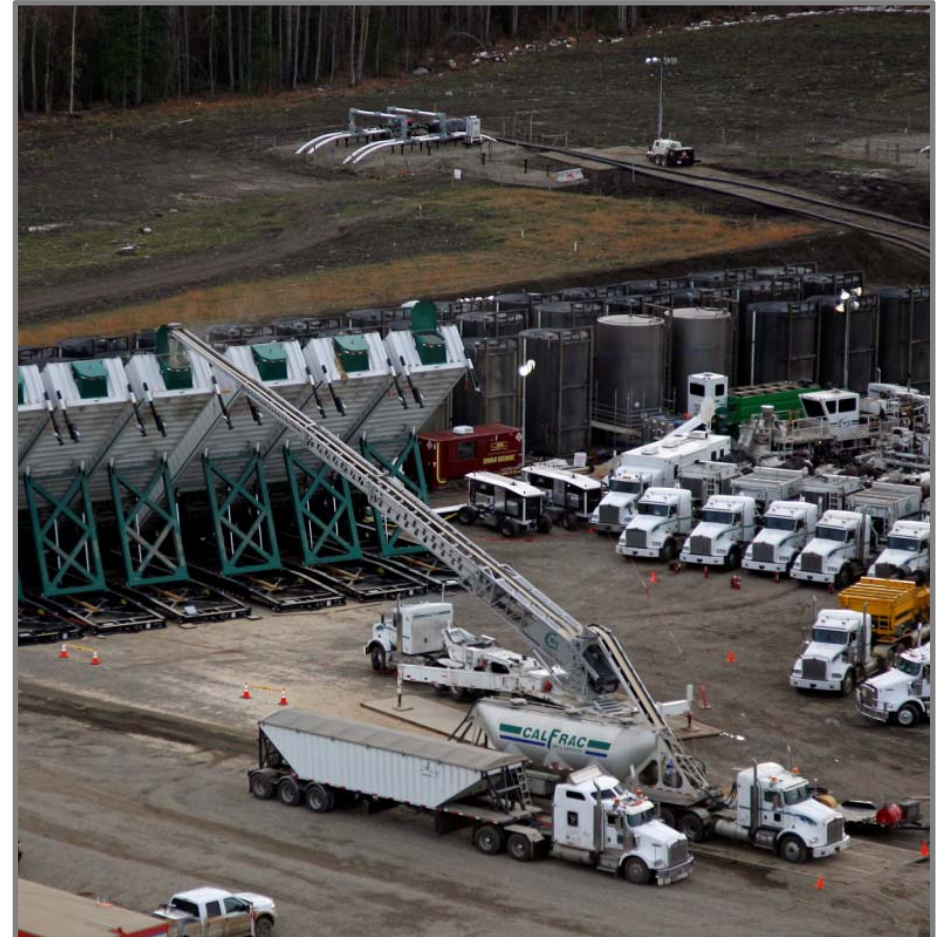


Fracturing Operation(Calfrac Photo)

# Focus on what to bring over from Canada and US operations to Latin America



- Know-how from non-conventional resource development continues to drive stimulation intensity
  - Larger well counts / pad
  - Longer laterals
  - Tighter frac spacing
  - Increased tonnages / fluid volumes
- 24-hour operations knowledge - improving overall efficiencies
  - Difficulties with staffing is a common issue in Argentina
  - Planning, time and well count is a must to achieve round the clock operations
- Latest technologies from advanced completions
  - Ball Drop systems know-how
  - High rate annular fracturing
  - Geoscience focus
  - Tools – Annular Frac Expertise
- Why CWS – We have experience with most industry completions tools





# Conclusion



- Argentina
  - Potential to be a major player in unconventional resource development
- Motivated stakeholders
  - High energy costs in the country
  - Positive well results from the Vaca Muerta and other areas
- Strong and proven reputation
  - Operating environment is challenging but Calfrac has earned its position as top service provider
  - Calfrac's history and experience in the country position company for further growth
  - Employees well suited to mitigate operating risks
- Significant barriers to entry
  - Challenging market for new entrants
  - Rewarding for daring companies



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