

PRECISION DRILLING TRUST

Form 40-F

March 30, 2009

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U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 40-F
(Check One)

- Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934**
or
- Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2008
Commission file number 001-14534
PRECISION DRILLING TRUST
(Exact name of registrant as specified in its charter)

Alberta, Canada (Province or other jurisdiction of incorporation or organization)	1381 (Primary Standard Industrial Classification Code Number (if applicable))	Not applicable (I.R.S. Employer Identification Number (if Applicable))
---------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------	----------------------------------------------------------------------------------

4200-150 6th Avenue, S.W., Calgary, Alberta, Canada T2P 3Y7
(403) 716-4500
(Address and Telephone Number of Registrant's Principal Executive Offices)
CT Corporation System, North St. Paul Street, Dallas, Texas 77022
(214) 979-1172
(Name, Address (Including Zip Code) and Telephone Number (Including Area Code) of Agent For Service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class Trust Units Securities registered or to be registered pursuant to Section 12(g) of the Act. None Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. None.	Name of each exchange on which registered New York Stock Exchange
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------

For annual reports, indicate by check mark the information filed with this Form:
 Annual Information Form Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 160,042,065 Trust Units outstanding as at December 31, 2008.

Indicate by check mark whether the Registrant by filing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the Exchange Act). If Yes is marked, indicate the file number assigned to the Registrant in connection with such rule.
 Yes No

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.
 Yes No

The documents (or portions thereof) forming part of this Form 40-F are incorporated by reference into the following registration statement under the Securities Act of 1933, as amended:

Form

Registration No.

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PRINCIPAL DOCUMENTS

The following documents are being filed as part of this Annual Report on Form 40-F:

- A. Annual Information Form for the fiscal year ended December 31, 2008 (the Annual Information Form).
- B. Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2008 (Management's Discussion and Analysis).
- C. Consolidated Financial Statements for the fiscal year ended December 31, 2008 (the Consolidated Financial Statements). Note 20 to the Consolidated Financial Statements relates to United States Generally Accepted Accounting Principles. Management's annual report on internal control over financial reporting and the attestation report of KPMG LLP regarding management's assessment of internal controls over financial reporting are included in the Consolidated Financial Statements.

UNDERTAKING

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the staff of the Securities and Exchange Commission (the Commission), and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an Annual Report on Form 40-F arises; or transactions in said securities.

DISCLOSURE CONTROLS AND PROCEDURES

For information on disclosure controls and procedures, see Evaluation of Disclosure Controls and Procedures in the Annual Information Form and Disclosure Controls and Procedures in Management's Discussion and Analysis.

AUDIT COMMITTEE FINANCIAL EXPERT

The board of directors of Precision Drilling Corporation, the administrator of the registrant, has determined that it has at least one audit committee financial expert serving on its audit committee. Each of Patrick M. Murray, William T. Donovan and Allen R. Hagerman has been designated an audit committee financial expert and is independent, as that term is defined by the New York Stock Exchange's listing standards applicable to the Registrant. The Commission has indicated that the designation of each of Messrs. Murray and Hagerman as an audit committee financial expert does not make either of them an expert for any purpose, impose any duties, obligations or liability on them that is greater than that imposed on members of the audit committee and board of directors who do not carry this designation or affect the duties, obligations or liability of any other member of the audit committee.

CODE OF ETHICS

The Registrant and Precision Drilling Corporation have adopted a Joint Code of Business Conduct and Ethics for their principal executive officer, principal financial officer, principal accounting officer or controller and any person performing similar functions. The Registrant's code is available on its website at www.precisiondrilling.com. No waivers have been granted from, and there have been no amendments to, any provision of the code during the 2008 fiscal year.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

For information on principal accountant fees and services, see Audit Committee Information Audit Fees in the Annual Information Form.

OFF-BALANCE SHEET ARRANGEMENTS

The Registrant has no off-balance sheet arrangements, as defined in this Form.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

For information on Tabular Disclosure of Contractual Obligations, see Liquidity and Capital Resources in Management's Discussion and Analysis.

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IDENTIFICATION OF THE AUDIT COMMITTEE

The Registrant has a separately-designated standing Audit Committee. The members of the Audit Committee are:

Chair:	Patrick M. Murray
Members:	Allen R. Hagerman
	Robert J.S. Gibson
	William T. Donovan
	Robert L. Phillips

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereto duly authorized, in the City of Calgary, Province of Alberta, Canada.

Precision Drilling Corporation, as agent for
and on behalf of Precision Drilling Trust

By: /s/ Kevin A. Neveu
Name: Kevin A. Neveu
Title: President and Chief Executive
Officer

Date: March 30, 2009

EXHIBITS

- 23.1 Consent of KPMG LLP, Chartered Accountants.
 - 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
 - 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
 - 32.1 Certification of Chief Executive Officer regarding Periodic Report containing Financial Statements.
 - 32.2 Certification of Chief Financial Officer regarding Periodic Report containing Financial Statements.
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**PRECISION DRILLING TRUST
ANNUAL INFORMATION FORM**

For the fiscal year ended December 31, 2008

Dated March 27, 2009

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

This Annual Information Form contains certain forward-looking information and statements, including statements relating to matters that are not historical facts and statements of our beliefs, intentions and expectations about developments, results and events which will or may occur in the future, which constitute forward-looking information within the meaning of applicable Canadian securities legislation and forward-looking statements within the meaning of the safe harbor provisions of the *United States Private Securities Litigation Reform Act of 1995* (collectively the forward-looking information and statements). Forward-looking information and statements are typically identified by words such as anticipate, could, should, expect, seek, may, intend, likely, will, plan, estimate, expressions suggesting future outcomes or statements regarding an outlook.

Forward-looking information and statements are included throughout this Annual Information Form including under the headings General Development of the Business, Description of the Business of Precision and Risk Factors and include, but are not limited to statements with respect to:

2009 expected cash provided by continuing operations;

2009 capital expenditures, including the amount and nature thereof;

2009 distributions on Trust Units (as defined herein) and payments on Exchangeable Units (as defined herein);

the global economic crisis and its impact on operations;

performance of the oil and natural gas industry, including oil and natural gas commodity prices and supply and demand;

expansion, consolidation and other development trends of the oil and natural gas industry;

demand for and status of drilling rigs and other equipment in the oil and natural gas industry;

costs and financial trends for companies operating in the oil and natural gas industry;

world population and energy consumption trends;

that continental natural gas will continue to be part of the long-term energy solution for North America;

our business strategy, including the 2009 strategy and outlook for our business segments;

expansion and growth of our business and operations, including diversification of the Trust's (as defined herein) earnings base, safety and operating performance, the size and capabilities of the Trust's drilling and service rig fleet, the Trust's market share and the Trust's position in the markets in which it operates;

the potential impact and benefits of the Acquisition (as defined herein);

the integration of Precision (as defined herein) and Grey Wolf (as defined herein);

the opportunities stemming from a focus on global contract drilling through United States expansion;

international diversification opportunities and complementary product line expansion;

the impact of shale gas drilling in Canada and the United States;

that new drilling rigs are expected to be contracted with customers before completion;

the number of rigs under daywork term contracts in Canada, the United States and Mexico;

the potential rebound in land drilling activity;

the timing of completion of rigs in Precision's rig build program;

that unconventional drilling applications will require high performance drilling rigs;

that some wells have a steep rate of production decline in the first year necessitating additional drilling to replace rapidly depleting wells;

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the demand for the Trust's products and services;

the Trust's management strategy, including transitions in executive roles;

labour shortages;

climatic conditions;

the maintenance of existing customer, supplier and partner relationships;

supply channels;

accounting policies and tax liabilities;

expected payments pursuant to contractual obligations;

the prospective impact of recent or anticipated regulatory changes;

that planned asset growth will generally be financed through existing debt facilities or cash retained from continuing operations;

financing strategy and compliance with debt covenants;

potential downgrades to credit ratings;

credit risks; and

other such matters.

All such forward-looking information and statements are based on certain assumptions and analyses made by the Trust in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Trust believes are appropriate in the circumstances. These statements are, however, subject to known and unknown risks and uncertainties and other factors. As a result, actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking information and statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information and statements will transpire or occur, or if any of them do so, what benefits will be derived therefrom. These risks, uncertainties and other factors include, among others:

the impact of general economic conditions in Canada and the United States;

world energy prices and government policies;

industry conditions, including the adoption of new environmental, taxation and other laws and regulations and changes in how they are interpreted and enforced;

the current global financial crisis and the dislocation in the credit markets;

fluctuations in the level of oil and natural gas exploration and development activities;

fluctuations in the demand for well servicing, contract drilling and ancillary oilfield services;

the impact of initiatives by the Organization of Petroleum Exporting Countries and other major petroleum exporting countries;

the ability of oil and natural gas companies to access external sources of debt and equity capital;

the effect of weather conditions on operations and facilities;

the existence of operating risks inherent in well servicing, contract drilling and ancillary oilfield services;

the volatility of oil and natural gas prices;

oil and natural gas product supply and demand;

risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations;

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increased competition;

consolidation among the Trust's customers;

risks associated with technology;

political uncertainty, including risks of war, hostilities, civil insurrection, instability or acts of terrorism;

liabilities under laws and regulations protecting the environment;

the impact of purchase accounting;

expected outcomes of litigation, claims and disputes and their expected effects on the Trust's financial condition and results of operations;

difficulties and delays in achieving synergies and cost savings;

the lack of availability of qualified personnel or management;

credit risks;

increased costs of operations, including costs of equipment;

future capital expenditures and refurbishment, repair and upgrade costs;

expected completion times for new equipment manufacture and refurbishment and upgrade projects;

sufficiency of funds for required capital expenditures, working capital and debt service;

the failure to realize anticipated synergies in the Acquisition;

the Trust's ability to enter into and the terms of future contracts;

the adequacy of sources of liquidity;

the inability to carry out plans and strategies as expected;

loss of mutual fund trust status;

the effect of the Canadian federal government's SIFT Rules (as defined herein);

the conversion of the Trust into a corporate structure and other unforeseen conditions which could impact the use of services supplied by Precision;

fluctuations in interest rates;

stock market volatility;

safety performance;

foreign operations;

foreign currency exposure;

dependence on third party suppliers;

opportunities available to or pursued by the Trust; and

other factors, many of which are beyond the Trust's control.

These risk factors are discussed in this Annual Information Form, the Trust's Annual Report and Form 40-F on file with the Canadian securities commissions and the United States Securities and Exchange Commission (the **SEC**) and available on the Canadian System for Electronic Document Analysis and Retrieval (**SEDAR**) at www.sedar.com and the SEC's Electronic Document Gathering and Retrieval System (**EDGAR**) at www.sec.gov, respectively. Except as required by law, Precision Drilling Trust, Precision Drilling Limited Partnership and Precision Drilling Corporation disclaim any intention or obligation to update or revise any forward-looking information or statements, whether as a result of new information, future events or otherwise.

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The forward-looking information and statements contained in this Annual Information Form are expressly qualified by this cautionary statement.

Unless otherwise stated, all references in this Annual Information Form to sums of money are expressed in Canadian dollars.

CORPORATE STRUCTURE

The Trust

Precision Drilling Trust (the **Trust**) is an unincorporated open-ended investment trust established under the laws of the Province of Alberta pursuant to a declaration of trust dated September 22, 2005 (the **Declaration of Trust**). The Trust maintains its head office and principal place of business at 4200, 150 6th Avenue S.W., Calgary, Alberta, T2P 3Y7, telephone (403) 716-4500, facsimile (403) 264-0251, email info@precisiondrilling.com and website www.precisiondrilling.com. For a discussion of the Declaration of Trust, see Description of Capital Structure.

Pursuant to a reorganization of the former Precision Drilling Corporation (**Precision**) into a mutual fund trust for purposes of the Tax Act (as defined herein), the Trust issued units (**Trust Units**) to certain former shareholders of Precision in exchange for such holders' common shares pursuant to a plan of arrangement which was approved by the former shareholders of Precision at a special meeting held on October 31, 2005 (the **Plan of Arrangement**).

Precision Drilling Limited Partnership

Precision Drilling Limited Partnership (**PDLP**) is a limited partnership formed pursuant to the laws of the Province of Manitoba pursuant to a limited partnership agreement dated as of September 28, 2005 (the **Limited Partnership Agreement**). The Trust holds a 99.91% partnership interest in PDLP through its holding of Class A Limited Partnership Units (the **PDLP A Units**) and the remaining 0.09% limited partnership interest in PDLP is held by former shareholders of Precision who elected to receive Class B Limited Partnership Units (**Exchangeable Units**) which are exchangeable into Trust Units on a one-for-one basis and are the economic equivalent of Trust Units. The general partner of PDLP is 1194312 Alberta Ltd. (the **General Partner**) which holds a nominal (0.001%) interest in PDLP. The head and principal offices of PDLP are located at 4200, 150 6th Avenue S.W., Calgary, Alberta, T2P 3Y7, telephone (403) 716-4500, facsimile (403) 264-0251 and email info@precisiondrilling.com.

Precision Drilling Corporation

Precision was originally incorporated on March 25, 1985 and carried out amalgamations with wholly-owned subsidiary companies on January 1, 2000, January 1, 2002 and January 1, 2004 pursuant to Articles of Amalgamation and the *Business Corporations Act* (Alberta). On November 7, 2005, Precision became a wholly-owned subsidiary of PDLP. As part of the Plan of Arrangement, Precision amalgamated with a number of its wholly-owned subsidiaries: 1195309 Alberta ULC on November 23, 2005; Live Well Service Ltd. (**Live Well Service**) on January 1, 2006; and Terra Water Group Ltd. (**Terra**) on January 1, 2007. In each amalgamation, the name of the amalgamated company remained Precision Drilling Corporation. The head and principal offices of Precision are located at 4200, 150 6th Avenue S.W., Calgary, Alberta, T2P 3Y7, telephone (403) 716-4500, facsimile (403) 264-0251, email info@precisiondrilling.com and website www.precisiondrilling.com.

Administration Agreement

The Trust and Precision are parties to an administration agreement entered into on November 7, 2005 (the **Administration Agreement**). Under the terms of the Administration Agreement, Precision provides administrative

and support services to the Trust including, without limitation, those necessary to:

ensure compliance by the Trust with continuous disclosure obligations under applicable securities legislation;

provide investor relations services;

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provide or cause to be provided to holders of Trust Units (**Trust Unitholders**) all information to which such Trust Unitholders are entitled under the Declaration of Trust, including relevant information with respect to financial reporting and income taxes;

call and hold meetings of Trust Unitholders and distribute required materials, including notices of meetings and information circulars, in respect of all such meetings;

assist the Board of Trustees (as defined herein) in calculating distributions to Trust Unitholders;

ensure compliance with the Trust's limitations on non-resident ownership, if applicable; and

generally provide all other services as may be necessary or as may be requested by the Board of Trustees.

INTERCORPORATE RELATIONSHIPS

The following table sets forth the names of the material subsidiaries (which includes limited partnerships) of the Trust, the percent of shares (or interest) owned by the Trust and the jurisdiction of incorporation, continuance or formation of each such subsidiary as of December 31, 2008:

Name of Subsidiary or Partnership	Percent or Interest Owned	Jurisdiction of Incorporation, Continuance or Formation
Precision Drilling Limited Partnership	99.9%	Manitoba
1194312 Alberta Ltd.	100%	Alberta
Precision Drilling Corporation	99.9%	Alberta
Precision Drilling Oilfield Services, Inc. (PDOSI)	99.9%	Delaware
Precision Drilling Oilfield Services Corporation (PDOS)	99.9%	Texas
Precision Limited Partnership (PLP)	99.9%	Alberta
Precision Drilling Canada Limited Partnership (PDCLP)(1)	99.9%	Alberta
Grey Wolf Holdings	99.9%	Texas
Grey Wolf Drilling Corporation LP	99.9%	Texas

NOTE:

(1) *PDCLP* was formed pursuant to the Partnership Act (Alberta) on January 2, 2009.

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Organizational Structure of the Trust

The following diagram sets forth the organizational structure of the Trust and its material subsidiaries as of the date hereof:

NOTES:

- (1) As of December 31, 2008, there were 125,606,341 PDLP A Units outstanding.
- (2) As of December 31, 2008, there were 151,583 Exchangeable Units outstanding.
- (3) The interest of 1194312 Alberta Ltd. in PDLP is 0.001%.
- (4) Inter-company note owing by PDLP to the Trust.
- (5) The Trust holds PDLP A Units and PDLP holds an interest bearing promissory note owing by Precision (the **Promissory Note**). Cash generated from the operations of Precision flow to PDLP in settlement of principal and interest owing on such Promissory Note. The cash payable to PDLP is then available to be paid to the limited partners of PDLP which includes holders of Exchangeable Units and, indirectly, the holders of Trust Units.

GENERAL DEVELOPMENT OF THE BUSINESS

Recent Developments

As at March 27, 2009, within the Secured Facility (as defined herein), US\$69 million (US\$64 million on February 4, 2009 and US\$5 million on March 26, 2009) has been reallocated from the Term Loan A Facility (as defined herein) to the Term Loan B Facility (as defined herein). See [Description of the Business of Precision](#) [Material Debt](#) .

As at March 20, 2009, holders of convertible notes of Grey Wolf representing US\$262.3 million notified the Trust that they would be accepting the purchase offer made pursuant to the terms thereof and PDOS purchased such notes at the principal balance plus accrued interest of US\$2.3 million on March 24, 2009. See [General Development of the Business](#) [Three Year History](#) [Acquisition of Grey Wolf](#) .

On February 19, 2009, the Trust announced that Precision had postponed its previously announced offering of US\$250 million principal amount of senior notes due 2015 (the **Senior Note Offering**) due to unfavourable market conditions. See [Risk Factors](#) [Proposed Financing Arrangements](#) .

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On February 18, 2009, the Trust closed an offering of 46 million Trust Units at a price of US\$3.75 per Trust Unit for aggregate gross proceeds of US\$172.5 million (the **Trust Unit Offering**). As a result of the Trust Unit Offering, the funds available under the Unsecured Facility were reduced to US\$235 million.

On February 9, 2009, the Trust announced the suspension of cash distributions for an indefinite period for distributions to be paid after February 17, 2009. The suspension was taken in response to lower financial operating performance at the start of 2009 and will allow the Trust to increase debt repayment capability and balance sheet strength. Accordingly, Precision will not pay a distribution in March 2009, or for an indefinite period thereafter, to Trust Unitholders or holders of Exchangeable Units (**Exchangeable Unitholders** and, together with Trust Unitholders, the **Unitholders**). See Risk Factors Distributions on Trust Units have been suspended and may not be reinstated .

The Trust's business depends on the level of spending by oil and natural gas companies for exploration and development activities. Therefore, a sustained increase or decrease in the price of oil or natural gas, which could have a material impact on exploration and development activities, could also materially affect the Trust's financial position, results of operations and cash flows. The recent decline in commodity prices has primarily been driven by the deterioration of the global economic environment, including, without limitation, volatility in the capital markets and lack of liquidity in the credit markets. Recent commodity price declines for oil and natural gas are expected to reduce funding for drilling and well servicing activity in North America which will likely result in reduced demand for oilfield services in the near term. Subject to the severity of the current winter heating season and demand levels for natural gas in North America, the current economic slowdown could moderate energy consumption growth and may result in lower producer spending for marginal oil and natural gas programs, which may adversely affect the demand for Precision's services. See Risk Factors The operations of Precision are dependent on the price of oil and natural gas .

Precision has experienced a reduction in the demand for its services in late 2008 and early 2009 in correlation with the significant downward trend in oil and natural gas prices over the same period. The following table summarizes the active land-based drilling rigs of Precision and the drilling industry as a whole in Canada and the United States as at the dates indicated:

	As at September 30, 2008		As at December 31, 2008	
	Industry ⁽¹⁾	Precision ⁽²⁾⁽³⁾	Industry ⁽¹⁾	Precision ⁽³⁾
Canada	416	123	277	61
United States	1,995	138	1,721	115
Total	2,411	261	1,998	176

NOTES:

(1) Source: Canada Canadian Association of Oilwell Drilling Contractors (**caodc**); United States Baker Hughes, Inc.

(2) On a *pro forma* basis after giving effect to the Acquisition.

(3) Does not include Precision's two active drilling rigs in Mexico.

Management of the Trust believes that Precision will be able to meet its debt obligations under the Credit Facilities notwithstanding the current and anticipated near-term decline in drilling and well servicing activity. See Description of the Business of Precision Material Debt and Risk Factors Deteriorating conditions in the credit markets may adversely affect business .

On January 2, 2009, Precision transferred substantially all of the assets of its Precision Drilling, Rostel Industries (**Rostel Industries**) and Columbia Oilfield Supply (**Columbia**) divisions to PDCLP in consideration for a 99% limited partnership interest in PDCLP. PDCLP carries on Precision's Contract Drilling Services business. See Description of the Business of Precision Contract Drilling Services .

Three Year History

The Trust is an unincorporated open-ended investment trust established under the laws of the Province of Alberta pursuant to the Declaration of Trust. The beneficiaries of the Trust are the Unitholders. The Trust's principal

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undertaking is to issue Trust Units and to indirectly carry on the business of the provision of land-based contract drilling, well servicing and ancillary oilfield services to oil and gas exploration and production companies through its direct and indirect subsidiaries. This business is carried out in two segments, Contract Drilling Services and Completion and Production Services.

As of December 31, 2008, Management believes that the Trust is the second largest land driller in North America, based on the number of rigs in its drilling rig fleet. The Trust presently operates in most conventional and unconventional oil and natural gas basins in Canada and the United States and has an emerging presence in Mexico. Management believes that the Trust's high performance drilling rigs, supply chain management systems and technology, together with its Canadian and United States customer base, deep drilling capabilities and positions in Canadian and United States sedimentary basins, provides it with a substantial foundation for expansion, both in North America and internationally. After giving effect to the Acquisition, the Trust has a high quality fleet consisting of 374 drilling rigs, 229 service rigs and 29 snubbing units. In addition, Precision presently offers its customers a complementary suite of wellsite products and services including camp and catering, wastewater treatment and rental equipment. Most of these complementary operations and the service rig business are located in Canada.

2008

On December 23, 2008, the Trust completed the indirect acquisition of Grey Wolf, Inc. (**Grey Wolf**) (the **Acquisition**) pursuant to an agreement and plan of merger dated August 24, 2008, as amended December 2, 2008 (the **Merger Agreement**) with Grey Wolf, Precision and Precision Lobos Corporation (**Lobos** a subsidiary of the Trust). Pursuant to the Acquisition, Grey Wolf was merged with and into Lobos pursuant to the Texas Business Corporations Act and the Texas Corporation Law. Accordingly, the separate legal existence of Grey Wolf has ceased and Lobos, which was subsequently renamed Precision Drilling Oilfield Services Corporation, became the surviving corporation. Upon the closing of the Acquisition, Messrs. Frank M. Brown, William T. Donovan and Trevor M. Turbidity, each of whom was a director of Grey Wolf, were appointed to the Board of Directors of Precision.

Under the terms of the Merger Agreement, shareholders of Grey Wolf elected to receive either cash or Trust Units in exchange for their shares of Grey Wolf common stock. Each share of Grey Wolf common stock was convertible, at the option of the holder, into US\$9.02 in cash or 0.4225 Trust Units, subject to proration. The total consideration paid by the Trust to shareholders of Grey Wolf in connection with the Acquisition was approximately US\$897.2 million and 34.4 million Trust Units. Costs of approximately US\$219.2 million (after accounting for applicable discounts), including a US\$25 million break-up fee payable by Grey Wolf to a third party, debt issuance costs, professional services fees, severance costs and other costs were incurred in respect of the Acquisition.

At closing of the Acquisition, Grey Wolf had outstanding US\$262.3 million aggregate principal amount of convertible notes. Pursuant to the terms of the convertible notes, during the first quarter of 2009, PDOS, as successor to Grey Wolf, made to the holders thereof a change of control offer to repurchase any or all of the outstanding convertible notes at 100% of the principal amount thereof, plus accrued but unpaid interest to the date of the repurchase, payable in cash. As at March 20, 2009 the holders of such notes representing US\$262.3 million have notified the Trust that they will be accepting the purchase offer made pursuant to the terms thereof. PDOS purchased such notes at the principal balance plus accrued interest of approximately US\$2.3 million on March 24, 2009.

The Acquisition is described in greater detail in the business acquisition report of the Trust dated January 21, 2009, in respect of the Acquisition (the **BAR**) and the material change report of the Trust dated December 23, 2008, in respect of the Acquisition (the **Grey Wolf MCR**), both the BAR and the Grey Wolf MCR having been filed on SEDAR at www.sedar.com and EDGAR at www.sec.gov. The BAR also contains audited annual financial statements of Grey Wolf for the year ended December 31, 2007, unaudited comparative interim financial statements of Grey Wolf for the nine months ended September 30, 2008 and unaudited pro forma consolidated financial statements of the Trust for the

year ended December 31, 2007 and nine months ended September 30, 2008 that give effect to the Acquisition.

On July 31, 2008, Precision also closed the acquisition of six service rigs from a private well servicing company for approximately \$16 million. The assets are positioned in south-eastern Saskatchewan and southwestern

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Manitoba and strengthen Precision's capabilities in these oil regions. Subsequent to this acquisition, Precision moved an additional three service rigs into these regions.

Precision's Super Series® drilling rig build program in 2008 was comprised of 10 Super Single™ rigs and nine Super Triple rigs. Eighteen of these rigs are under signed term customer contracts. Management expects the remaining capital cost of the rig build program for 2009 to be approximately \$167 million. Of the 19 rigs, three were completed in 2008 and management expects the remaining contracted rigs to be delivered before the fourth quarter of 2009.

On September 1, 2008, Precision transferred substantially all of the assets of its Precision Well Servicing, Live Well Service, Precision Rentals and LRG Catering (**LRG**) divisions to Terra Water Systems Limited Partnership, which subsequently changed its name to Precision Limited Partnership . PLP carries on Precision's Completion and Production Services business. See Description of the Business of Precision Completion and Production Services .

On August 31, 2008, certain non-compete obligations from a 2005 business divestiture that restricted the Trust's growth outside of North America and in certain business lines expired. Through its international subsidiaries, the Trust can now pursue global contract drilling opportunities without restriction.

In addition to the Acquisition, Precision's organic growth in the United States accelerated during 2008 with 18 rigs moved