Q1

Three months ended March 31, 2009
As at May 6, 2009

Canadian Energy
SERVICES L.P.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of financial condition and results of operations should be read in conjunction with the interim consolidated financial statements for the three months ended March 31, 2009 and the 2008 Annual Report, including the audited consolidated financial statements and notes thereto of Canadian Energy Services L.P. ("CES" or the "Partnership") for the years ended December 31, 2008 and December 31, 2007. The information contained in this MD&A was prepared up to and including May 6, 2009 and incorporates all relevant considerations to that date.

Certain statements in this MD&A may constitute forward-looking information or forward-looking statements (collectively referred to as" forward-looking information") which involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Partnership, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. When used in this MD&A, such information uses such words as "may", "would", "could", "will", "intend", "expect", "believe", "plan", "anticipate", "estimate", and other similar terminology. This information reflects this Partnership's current expectations regarding future events and operating performance and speaks only as of the date of the MD&A. Forward-looking information involves significant risks and uncertainties, should not be read as a guarantee of future performance or results, and will not necessarily be an accurate indication of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information, including, but not limited to, the factors discussed below. The management of the Partnership believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct. The forward-looking information and statements contained in this document speak only as of the date the document, and the Partnership assumes no obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws or regulations.

In particular, this MD&A contains forward-looking information pertaining to the following: future estimates as to distribution levels; capital expenditure programs for oil and natural gas; supply and demand for the Partnership's products and services; industry activity levels; commodity prices; treatment under governmental regulatory and taxation regimes; dependence on equipment suppliers; dependence on suppliers of inventory and product inputs; equipment improvements; dependence on personnel; collection of accounts receivable; operating risk liability; expectations regarding market prices and costs; expansion of services in Canada, the United States and internationally; development of new technology; expectations regarding the performance of the Partnership's environmental and transportation operations; investments in research and development and technology advancements; access to debt and capital markets; and competitive conditions.

The Partnership's actual results could differ materially from those anticipated in the forward-looking information as a result of the following factors: general economic conditions in Canada, the United States, and internationally; demand for oilfield services for drilling and completion of oil and natural gas wells; volatility in market prices for oil, natural gas, and natural gas liquids and the effect of this volatility on the demand for oilfield services generally; competition; liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations; sourcing, pricing and availability of raw materials, consumables, component parts, equipment, suppliers, facilities, and skilled management, technical and field personnel; ability to integrate technological advances and match advances of competitors; availability of capital; uncertainties in weather and temperature affecting the duration of the oilfield service periods and the activities that can be completed; changes in legislation and the regulatory environment, including uncertainties with respect to programs to reduce greenhouse gas and other emissions, taxation of trusts, public partnerships and other flow-through entities, and changes to the royalty regimes applicable to entities operating in the Western Canadian Sedimentary Basin and the United States; access to capital and the liquidity of debt markets; fluctuations in foreign exchange and interest rates and the other factors considered under "Risk Factors" in the Partnership's Annual Information Form for the period ended December 31, 2008 and "Risks and Uncertainties" in this MD&A.

Without limiting the foregoing, the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

BUSINESS OF THE PARTNERSHIP

The core business of CES is to design and implement drilling fluid systems for oil and natural gas producers. CES operates in the Western Canadian Sedimentary Basin ("WCSB") and the United States ("US"), with an emphasis on servicing the ongoing major resource plays. The drilling of those major resources plays includes wells drilled vertically, directionally, and with increasing frequency, horizontally. Horizontal drilling is a technique utilized in tight formations like shale gas, shale oil, heavy oil, and in the oil sands ("SAGD"). The designed fluid encompasses the functions of cleaning the hole, stabilizing the rock drilled, controlling subsurface pressures, enhancing drilling rates and protecting potential production zones while conserving the environment in the surrounding surface and subsurface area. The Partnership's drilling fluid systems are designed to be adaptable to a broad range of complex and varied drilling scenarios, to help clients eliminate inefficiencies in the drilling process and to assist them in meeting operational objectives and environmental compliance obligations. The Partnership markets its technical expertise and services to oil and natural gas exploration and production entities by emphasizing the historical success of its patented and proprietary drilling fluid systems and the technical expertise and experience of its personnel.

Clear Environmental Solutions ("Clear"), the Partnership's environmental division, provides environmental and drilling fluids waste disposal services primarily to oil and gas producers active in the WCSB. The business of Clear involves determining the appropriate processes for disposing of or recycling fluids produced by drilling operations and to carry out various related services necessary to dispose of drilling fluids.

The Partnership's head office and the sales and services headquarters are located in Calgary, Alberta and its stock point facilities and other operations are located throughout Alberta, British Columbia, and Saskatchewan. The Partnership's indirect wholly-owned subsidiary, AES Drilling Fluids, LLC ("AES"), conducts operations in the United States from its offices in Denver and Oklahoma City with stock point facilities currently located in both Oklahoma and Utah.

NON-GAAP MEASURES

The corresponding unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Certain supplementary information and measures not recognized under Canadian GAAP are also provided in this MD&A where management believes they assist the reader in understanding the Partnership's results. These measures are calculated by CES on a consistent basis unless otherwise specifically explained. These measures are further explained as follows:

Distributable funds – means funds flow from operations less maintenance capital. See the definition of funds flow from operations below and the definition of maintenance capital under "Operational Definitions". Distributable funds is a measure used by management and investors to analyze the amount of funds available to distribute to unitholders before consideration of funds required for growth purposes. Refer to "Liquidity and Capital Resources – Funds Flow from Operations and Distributions" for the calculation of distributable funds.

EBITDAC – means net earnings before interest, taxes, amortization, loss on disposal of assets, goodwill impairment, and unit-based compensation. EBITDAC is a metric used to assess the financial performance of an entity. Management believes that this metric assists in determining the ability of CES to generate cash from operations. EBITDAC was calculated as follows:

	Three Months Ended March 31,	
$000's	**2009**	2008
Net earnings and comprehensive earnings	**2,154**	5,282
Add back (deduct):		
Amortization	**877**	323
Interest expense, net of interest income	**143**	149
Future income tax expense	**98**	51
Unit-based compensation	**396**	43
Loss on disposal of assets	**21**	4
EBITDAC	**3,689**	5,852

Funds flow from operations – means cash flow from operations before changes in non-cash operating working capital. This measure is not intended to be an alternative to cash provided by operating activities as provided in the consolidated statements of cash flow, net earnings or other measures of financial performance calculated in accordance with Canadian GAAP. Funds flow from operations assists management and investors in analyzing operating performance and leverage. Funds flow from operations was calculated as follows:

	Three Months Ended March 31,	
$000's	**2009**	2008
Cash provided by (used in) operating activities	**10,925**	(511)
Adjust for:		
Change in non-cash operating working capital	**(7,444)**	6,214
Funds flow from operations	**3,481**	5,703

Gross margin – means revenue less cost of sales, which represents cost of product, field labour and all field related operating costs. Management believes this metric provides a good measure of the operating performance at the field level. It should not be viewed as an alternative to net earnings.

Payout ratio – means distributions declared as a percentage of distributable funds. Refer to "Liquidity and Capital Resources – Funds Flow from Operations and Distributions" for the calculation of the payout ratio.

These measures do not have a standardized meaning as prescribed by Canadian GAAP and are therefore unlikely to be directly comparable to similar measures presented by other companies, trusts, or partnerships.

OPERATIONAL DEFINITIONS

Operational terms used throughout this MD&A include:

Expansion capital – represents the amount of capital expenditure that has or will be incurred to grow or expand the business or would otherwise improve the productive capacity of the operations of the business.

Maintenance capital – represents the amount of capital expenditure that has been or will be incurred to sustain the current level of operations.

Market share – CES estimates its market share by comparing, on a semi-weekly basis, active rigs where the Partnership was contracted to provide services to the total active rigs for Western Canada. Total active rigs for Western Canada are based on Canadian Association of Oilwell Drilling Contractors ("CAODC") published data for Western Canada.

Operating days – CES estimates its operating days, which are revenue generating days, by multiplying the average number of active rigs where the Partnership was providing drilling fluid services by the number of days in the period.

Well type - the Partnership classifies oil and natural gas wells by depth, as follows:

Shallow wells:	generally less than 1,000 metres;
Medium wells:	generally between 1,000 and 2,500 metres;
Deep wells:	generally greater than 2,500 metres; and
Horizontal wells:	drilled vertically then horizontally, often with multiple lateral legs, reaching out 500 to 1,500 metres each.

FINANCIAL HIGHLIGHTS

Summary Financial Results ($000's, except per unit amounts)	**Three Months Ended March 31,** **2009**	2008	% Change
Revenue	**30,298**	28,274	7.2%
Gross margin [(1)]	**8,045**	8,969	(10.3%)
Gross margin percentage of revenue [(1)]	**26.6%**	31.7%	
Net earnings before taxes	**2,252**	5,333	(57.8%)
per unit – basic and diluted [(2)]	***0.20***	*0.57*	*(64.9%)*
Net earnings	**2,154**	5,282	(59.2%)
per unit – basic and diluted [(2)]	***0.19***	*0.56*	*(66.1%)*
EBITDAC [(1)]	**3,689**	5,852	(37.0%)
per unit – basic and diluted [(2)]	***0.33***	*0.61*	*(45.9%)*
Funds flow from operations [(1)]	**3,481**	5,703	(39.0%)
per unit – basic and diluted [(2)]	***0.31***	*0.61*	*(49.2%)*
Distributions declared	**2,642**	2,229	18.5%
per Class A Unit	***0.2376***	*0.2376*	-
per Subordinated Class B Unit	***0.2376***	*0.2376*	-

Notes:
[1] *Refer to the "Non-GAAP Measures" for further detail.*
[2] *Includes Class A Units and Subordinated Class B Units.*

OVERVIEW OF FINANCIAL AND OPERATIONAL RESULTS

Highlights for the three months ended March 31, 2009 in comparison to the three month period ended March 31, 2008 for CES were:

- The Partnership generated gross revenue of $30.3 million for the first quarter of 2009, compared to $28.3 million for the three months ended March 31, 2008, an increase of 7.2% over the same period last year. On a per unit basis, gross revenue was $2.71 per unit for the three months ended March 31, 2009 compared to $3.01 per unit for the three months ended March 31, 2008, a decrease of 10.0% over the same period last year.

- CES's estimated market share (refer to "Operational Definitions") in Western Canada increased to 20% for the three months ended March 31, 2009 from 18% for the three months ended March 31, 2008. CES operating days (refer to "Operational Definitions") in Western Canada were estimated to be 6,141 for the three month period ended March 31, 2009, a decrease of 30% from the same period last year. Overall industry activity dropped approximately 36% from an average rig count in the first quarter of 2008 of 497 to 320 in 2009 based on CAODC published monthly data for Western Canada. Revenue from drilling fluids related sales of products and services in Western Canada was $23.7 million for the three months ended March 31, 2009, compared to $26.5 million for the three months ended March 31, 2008, representing a decrease of $2.8 million or 10.6%.

- Revenue generated in the US from drilling fluids related sales of products and services was $1.0 million with 149 operating days (refer to "Operational Definitions") for the three months ended March 31, 2009. This compares to revenue of $0.7 million with 91 operating days for the three month period ended March 31, 2008.

- Revenue from trucking operations increased to $1.8 million from $1.1 million for the three months ended March 31, 2009 and 2008 respectively.

- The Clear environmental business, which was acquired by CES on June 12, 2008, generated $3.8 million of revenue for the three month period ended March 31, 2009.

- Gross margin of $8.0 million or 26.6% of revenue was generated for the period, compared to gross margin of $9.0 million or 31.7% of revenue generated in the same period last year. Margins have decreased from Q1 2008 primarily due to increased sales of invert as a percentage of revenue, which generates a lower margin than other products; lower margins achieved on revenue generated in the US in order to gain an entry into the marketplace; and an increase in revenue attributable to lower margin activities including environmental services and trucking. Margins will vary with the mix of well types and the areas of operations.

- Selling, general, and administrative costs were $4.4 million for the first quarter in 2009, in comparison to $3.1 million for the same period in 2008. Selling, general, and administrative costs were higher in comparison to Q1 2008 due to increased headcount resulting from: transfers of field personnel into lab and technical support positions in Calgary, the addition of the Clear business unit, the addition of personnel in the US, and general compensation increases. Selling, general, and administrative costs were 19% lower in Q1 2009, than the immediately preceding Q4 2008 of $5.4 million. CES continues undertake actions to adjust costs in an effort to meet the current market conditions.

- EBITDAC (refer to the "Non-GAAP Measures") for the three months ended March 31, 2009 was $3.7 million as compared to $5.9 million for the three months ended March 31, 2008 representing a decrease of $2.2 million or 37.0%.

- Net earnings were $2.2 million for the three months ended March 31, 2009, a decrease of 59.2% over the $5.3 million generated for the same period last year. Net earnings were primarily lower for the year as a result of a combination of lower gross margin, higher selling, general, and administrative expenses, and higher non-cash expenses relating to amortization and unit-based compensation. Earnings per unit were $0.19 for the three months ended March 31, 2009, as compared with $0.56 per unit for the same period in 2008, representing a decrease of 65.7% on a per unit basis. The decline in earnings per unit is due to a combination of lower net earnings for the period and additional Units outstanding for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008.

- CES continued to maintain a strong balance sheet at March 31, 2009 with net working capital of $15.6 million and an operating line of credit of $20.0 million, of which a total of $5.6 million had been drawn. At March 31, 2008, net working capital was $12.1 million and the operating line of credit was $12.0 million, of which a total of $6.3 million had been drawn. At December 31, 2008, there was a net working capital balance of $15.8 million and an operating line of credit of $20.0 million, of which a total $12.7 million had been drawn.

- On March 1, 2009, the subordination period relating to the Subordinated Class B Units expired pursuant to the terms of the Amended and Restated Limited Partnership Agreement dated March 2, 2006. The Subordinated Class B Units were held by the former owners of the drilling fluid systems businesses which were acquired by the Partnership in connection with the Partnership's initial public offering on March 2, 2006. The Subordinated Class B Units can be exchanged, on a one for one basis, for Class A Units at any time after March 1, 2009. On March 11, 2009 1,075,743 Subordinated Class B Units were exchanged for an equivalent number of Class A Units. Subsequent to the end of the quarter, on April 14, 2009, the remaining 1,075,743 Subordinated Class B Units were exchanged for an equivalent number of Class A Units, following which there are nil Subordinated Class B Units outstanding.

- The Partnership maintained its monthly distributions throughout the first quarter of 2009 at its target level of $0.0792 per unit to Class A Unitholders for a total of $0.2376 per unit for the quarter. As noted above, following the expiration of the subordination provisions applicable to the Subordinated Class B Units on March 1, 2009, monthly distributions were made to Subordinated Class B Unitholders on a basis equivalent to the Class A Units. Two distributions were made to Subordinated Class B Unitholders for a total quarterly distribution of $0.2376 per Subordinated Class B Unit during the quarter consisting of $0.1584 per Subordinated Class B Unit for the months of January and February and $0.0792 per Subordinated Class B Unit for the month of March. The payout ratio (refer to "Non-GAAP Measures") was 76.0% for the first quarter of 2009, in comparison to 39.9% for the same period last year. The determination of the payout ratio does not take into account changes in non-cash operating working capital items. Management and the

Board of Directors review the appropriateness of distributions on a monthly and quarterly basis taking into account industry conditions, growth opportunities requiring expansion capital, and management's forecast of distributable funds. Although at this time the Partnership intends to continue to make cash distributions to unitholders, these distributions are not guaranteed. (See "Funds Flow from Operations and Distributions").

RESULTS FOR THE PERIODS

	Three Months Ended March 31,			
($000's, except per unit amounts)	**2009**	2008	$ Change	% Change
Revenue	**30,298**	28,274	2,024	7.2%
Cost of sales	**22,253**	19,305	2,948	15.3%
Gross margin [1]	**8,045**	8,969	(924)	(10.3%)
Gross margin percentage of revenue [1]	**26.6%**	31.7%		
Selling, general and administrative expenses	**4,425**	3,117	1,308	42.0%
Amortization	**877**	323	554	171.5%
Unit-based compensation	**396**	43	353	820.9%
Interest expense	**143**	149	(6)	(4.0%)
Foreign exchange gain	**(69)**	-	(69)	-
Loss on disposal of assets	**21**	4	17	425.0%
Net earnings before taxes	**2,252**	5,333	(3,081)	(57.8%)
Future income tax expense	**98**	51	47	92.2%
Net earnings	**2,154**	5,282	(3,128)	(59.2%)
Net earnings per unit – basic and diluted	***0.19***	*0.56*	*(0.37)*	*(66.1%)*
EBITDAC [1]	**3,689**	5,852	(2,163)	(37.0%)

	As at		
Financial Position ($000's)	**March 31, 2009**	December 31, 2008	% Change
Net working capital	**15,612**	15,825	(1.3%)
Total assets	**107,631**	125,261	(14.1%)
Long-term financial liabilities [3]	**3,185**	3,474	(8.3%)
Unitholders' equity	**76,536**	76,978	(0.6%)

	Three Months Ended March 31,		
Partnership Units Outstanding [2]	**2009**	2008	% Change
End of period	**11,119,801**	9,380,946	18.5%
Weighted average			
- basic	**11,124,245**	9,380,946	18.6%
- diluted	**11,200,356**	9,382,281	19.4%

Notes:
[1] *Refer to the "Non-GAAP Measures" for further detail.*
[2] *Includes Class A Units and Subordinated Class B Units.*
[3] *Vehicle financing loans and committed loans excluding current portion.*

Revenue and Operating Activities

The Partnership generated revenue of $30.3 million for the three months ended March 31, 2009, as compared with $28.3 million for the three months ended March 31, 2008, representing a year-over-year increase of $2.0 million or 7.2%. The increase in overall revenue for the three months ended March 31, 2009 as compared to the prior year was a result of additional business lines operating in Q1 2009 that were not operating in Q1 2008. Of the revenue generated in the first quarter of 2009, $23.7 million (2008 - $26.5 million) was generated in the Western Canada drilling fluids business; $1.0 million (2008 - $0.7 million) was generated in the US drilling fluids business; $3.8 million (2008 - $Nil) was contributed by the environmental division Clear (which was acquired in June 2008), and $1.8 million (2008 - $1.1 million) was generated by trucking operations.

The active rig count in Western Canada averaged 320 for the three months ended March 31, 2009 based on CAODC published monthly data for Western Canada. This was a 36% decrease from the average rig count of 497 in the same period of 2008. CES estimated its market share (refer to "Operational Definitions") in the first quarter of 2009 was 20% as compared with an estimated 18% in the same period of 2008.

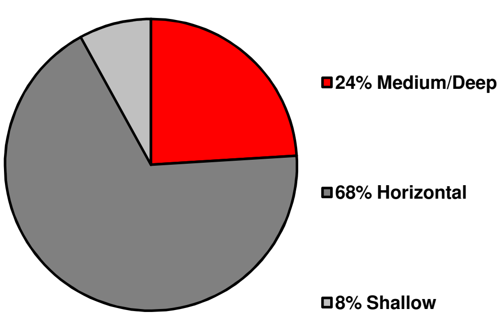
The top five customers of the Partnership accounted for approximately 40% of revenue for the three months ended March 31, 2009, with the largest customer, a large independent exploration and production company, at 17.6%. The top five customers of the Partnership accounted for approximately 33% of revenue for the three months ended March 31, 2008, with the largest customer, a large independent exploration and production company, at 11.8%.

The Partnership estimated operating days (refer to "Operational Definitions") from its drilling fluids services as follows:

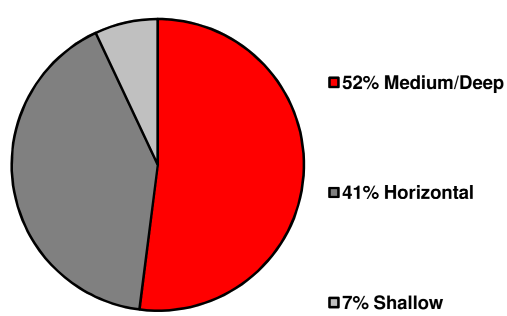
	Three Months Ended March 31	
	2009	2008
Canada	**6,141**	8,736
USA	**149**	91
Total Operating Days	**6,290**	8,827

Overall, CES's drilling fluid business continued to focus on resource plays and in particular the medium to deep drilling and horizontal drilling in those plays, which collectively represented approximately 92% of drilling fluids revenue for the three month period ended March 31, 2009 as compared with 93% of drilling fluids revenue for the three months ended March 31, 2008. CES' experience has been that the importance to the operator of efficient drilling fluid systems increases significantly with the depth and complexity of the well drilled. The following charts illustrate the Partnership's estimated revenue from its drilling fluids business by well type in CES' targeted areas:

Three Months Ended March 31, 2009



Three Months Ended March 31, 2008



Cost of Sales and Gross Margin
Gross margin represents the profit earned on revenue after deducting the cost of products, field labour and all related field costs. Margins vary due to a change in product mix, well type, geographic area, and nature of activity (i.e. drilling fluids, trucking, environmental, etc.).

Gross margin of $8.0 million, or 26.6% of revenue, was generated for the three month period ended March 31, 2009. Gross margin of $9.0 million, or 31.7% of revenue, was generated for the three month period ended March 31, 2008. Margins have decreased from Q1 2008 primarily due to increased sales of invert as a percentage of revenue, which generates a lower margin than other products; lower margins achieved on revenue generated in the US in order to gain an entry into the marketplace; and an increase in revenue attributable to lower margin activities including environmental services and trucking. Margins will vary with the mix of well types and the areas of operations.

The primary component of field costs is product costs. CES, along with its competitors, has seen increases to cost of products due to commodity price changes and devaluation of the Canadian dollar against the United States dollar. The Partnership has been working to maintain margin integrity and, as well, has been pursuing more effective procurement strategies to reduce input costs.

Cost of labour has less of an impact on margins as activity increases. Use of consultants and the variable component of compensation for employees provide the Partnership with a means to better manage seasonal activity swings as well as overall fluctuations in the demand for CES' products and services. With an overall reduction in actual and forecasted activity levels in the industry as compared to last year, CES has reduced its overall head count of field staff and field consultants. At March 31, 2009 and December 31, 2008, the head count of field staff was 82 and 101, respectively. Given the continuing uncertainty of the demand for oilfield services and volatility in market prices of oil and natural gas, CES continues to evaluate required field personnel levels and will match staffing levels to activity as required. CES remains committed to the continued training and retention of quality field personnel to ensure quality customer service at the well site.

Selling, General, and Administrative Expenses ("SG&A")
SG&A for the three months ended March 31, 2009 was $4.4 million, an increase of $1.3 million or 42.0% from the three months ended March 31, 2008 which totalled $3.1 million. This increase is line with the overall growth and expanded operations of the Partnership including the diversification into complementary business lines and the new geographic expansion into the US. The Partnership's office headcount totalled 67 at March 31, 2009 compared 36 as of March 31, 2008. The headcount at December 31, 2008 was 70. In 2008, the growth in CES' operations resulted in three new offices being added including two in the US (Denver and Oklahoma City) and one in Calgary (Clear), resulting in an increase in overall headcount on a year over year basis. Selling, general, and administrative costs were 19% lower in Q1 2009, than the immediately preceding Q4 2008 of $5.4 million. CES continues undertake actions to adjust costs in an effort to meet the current market conditions.

The Partnership continues to be focused on overall cost control for SG&A through managing its staffing levels and streamlining operations especially in light of the current downturn in drilling activity.

Amortization
Amortization of property, equipment, and intangibles totalled $0.9 million for the three month period ended March 31, 2009 in comparison to $0.3 million for the three months ended March 31, 2008. The year-over-year increase is primarily attributable to the expanded operations of the Partnership compared to last year. This includes investments made by the Partnership for additional trucks and trailers for the trucking division and light duty trucks for the drilling fluids division and the increase in amortization of intangible assets relating to the Partnership's acquisition of Clear.

Unit-based Compensation
Unit-based compensation was $0.40 million for the three months ended March 31, 2009, an increase of $0.36 million over the $0.04 million during the same period last year. The year-over-year increase is attributable to additional unit options issued under the Partnership's Unit Option Plan, units issued under the Partnership's Unit Bonus Plan, and the continued impact of the Distribution Rights Plan which was implemented in May 2008 and is being amortized over the remaining vesting periods of the unit options.

Interest Expense

Interest expense of $0.14 million for the three months ended March 31, 2009 was comparable to the same period in 2008 of $0.15 million. Interest expense consists of interest expense on vehicle financing loans, the committed facilities, and the operating loan facility net of interest earned on cash and short-term investment balances.

Foreign Exchange Gain

During the three months ended March 31, 2009, the Partnership recorded a net foreign exchange gain $0.07 million for the three months ended March 31, 2009. The net foreign exchange gain relates primarily to the translation of the Partnership's US subsidiary AES Drilling Fluids, LLC's operations which uses the US Dollar as its functional currency.

Future Income Taxes

On June 22, 2007 the Government of Canada enacted legislation imposing additional income taxes upon flow-through entities including public partnerships such as CES, effective January 1, 2011. As of March 31, 2009, the Partnership estimated that $7.5 million of net taxable temporary differences will reverse after January 1, 2011, resulting in a $2.1 million future income tax liability at March 31, 2009. This compares to a future income tax liability of $2.0 million at December 31, 2008 resulting in a future income tax expense of $0.1 million during quarter. The taxable temporary differences relate principally to the projected excess of net book value of goodwill over the projected remaining tax pools attributable thereto at January 1, 2011. While the Partnership believes it will be subject to tax under the enacted legislation, the tax rate on temporary difference reversals after 2010 may change in future periods. The amount and timing of reversals of temporary differences will also depend on the Partnership's future operating results, financings and asset acquisitions and dispositions. At March 31, 2009, the Partnership continued to record a valuation allowance provision with respect to its US subsidiary relating to the estimated non-capital loss balance due to the uncertainty of realization at this early stage of operations in the US.

Net Working Capital

The Partnership's net working capital at March 31, 2009 totalled $15.6 million compared with $15.8 million at December 31, 2008. The slight decrease of $0.2 million in net working capital relates mostly to the lower level of activity at the end of the quarter compared to the overall level of activity at the end of the fourth quarter of 2008.

Total Assets

Total assets of CES declined from to $125.3 million at December 31, 2008 to $107.6 million at March 31, 2009. The decline of $17.7 million or 14% is primarily attributable to the overall seasonality of the Partnership's operations. Notable items relating to the $17.7 million decline include: (i) decline in accounts receivable of $15.0 million as a result of collection of outstanding balances; (ii) $2.2 million reduction in inventory balances through usage in operations during the quarter; and (iii) the decrease in intangible assets of $0.5 million which included $0.2 million of amortization of customer relationships and $0.4 million relating to the return of the Drilling Fluid Technology (refer to Liquidity and Capital Resources – Unitholders' Equity for additional information).

Long-Term Financial Liabilities

The Partnership had long-term financial liabilities totalling $3.2 million at March 31, 2009 compared to $3.5 million at December 31, 2008, for a reduction of $0.3 million. At March 31, 2009, long-term financial liabilities was comprised of vehicle financing loans totalling $2.0 million and committed facilities totalling $2.4 million, net of the current portion of long-term debt of $1.2 million. The decrease in long-term financial liabilities during the quarter relates to a combination of the monthly repayments made on the vehicle loans and committed facilities as well as repayments of long-term debt made by the Partnership to payout the outstanding balances on vehicle loans that were subject to high interest rates.

Unitholder's Equity

Unitholders' equity declined slightly from $77.0 million at December 31, 2008 to $76.5 million at March 31, 2009. The change in unitholder's equity is primarily attributable to the net earnings of $2.2 million in the period partially offset by distributions of $2.6 million which were paid to unitholders.

Goodwill Impairment

At December 31, 2008, the Partnership completed its annual goodwill impairment test. Management estimated the fair value of the Partnership's drilling fluids and environmental businesses using a number of industry accepted valuation methodologies including discounted future cash flows, comparable industry valuation multiples, recent trading activity and capital market pricing of the Partnership's units. At December 31, 2008, management concluded that the carrying value of goodwill was less than the estimated fair value and therefore no reduction in the carrying value was necessary. The Partnership continues to monitor the carrying value of goodwill. At March 31, 2009, management reviewed its December 31, 2008 valuation and assumptions and concluded that the carrying value was still less than the estimated fair value and therefore no reduction in the carrying value was recognized.

SEGMENTED RESULTS

The Partnership has two primary business segments: the Drilling Fluids segment and the Environmental Services segment. The Drilling Fluids segment designs and implements drilling fluid systems for the oil and natural gas industry in the WCSB and the US, with an emphasis on servicing the ongoing major resource plays including tight gas reservoirs, SAGD, other heavy oil and bitumen extraction methods, and other horizontal drilling applications. The Environmental Services segment provides environmental and drilling fluids waste disposal services mostly to oil and gas producers active in the shallow natural gas producing areas of Alberta as well as to Alberta's oil sands. The Environmental Services segment is comprised of Clear, the environmental division, which was acquired on June 12, 2008.

	Driling Fluids		Environmental Services [2]	
	Three Months Ended March 31		Three Months Ended March 31	
Segmented Information ($000's)	**2009**	2008	**2009**	2008
Revenue	**26,457**	28,274	**3,841**	-
Gross margin	**6,717**	8,969	**1,328**	-
Net earnings before taxes	**1,509**	5,333	**743**	-
EBITDAC [1]	**2,931**	5,852	**758**	-

Notes:
[1] Refer to the "Non-GAAP Measures" for further detail.
[2] The Environmental Services segment is comprised of the Partnership's environmental division, Clear, which was acquired on June 12, 2008.

Drilling Fluids Segment

Revenue from the Drilling Fluids segment totalled $26.5 million for the three months ended March 31, 2009, compared to $28.3 million for the three months ended March 31, 2008 representing a decrease of $1.8 million or 6.4%. CES' estimated market share (refer to "Operational Definitions") in Western Canada increased to 20% for the three months ended March 31, 2009 from 18% for the three months ended March 31, 2008. CES operating days (refer to "Operational Definitions") in Western Canada were estimated to be 6,141 for the three months ended March 31, 2009, a decrease of 2,595 or 29.7% from last year's estimated operating days of 8,736 during the three month period ended March 31, 2008. Overall industry activity in Western Canada decreased approximately 36% from an average rig count 497 in Q1 2008 to 320 in Q1 2009 based on industry published data. Revenue generated in the US from drilling fluids related sales of products and services for the three months ended March 31, 2009 was $1.0 million as compared with $0.7 million for the same period in 2008. For the three months ended March 31, 2009, there were 149 operating days in the US, as compared with 91 operating days in the US for three months ended March 31, 2008.

Gross margin for the Drilling Fluids segment of $6.7 million or 25.4% was generated for the three months ended March 31, 2009, which, on a percentage basis, was lower than the 31.7% gross margin generated in 2008. The decrease in margin was primarily due to increased sales of invert as a percentage of revenue, which generates a lower product margin and lower margins received on revenue generated in the US in order to gain an entry into the marketplace.

Environmental Services Segment

Revenue from the Environmental Services segment was $3.8 million for the three months ended March 31, 2009 (Clear was acquired in June 2008). Gross margin for the Environmental segment was $1.3 million or 34.6% of revenue for the three months ended March 31, 2009.

QUARTERLY FINANCIAL SUMMARY

($000's, except per unit amounts)	Three Months Ended **Mar 31, 2009**	Dec 31, 2008	Sept 30, 2008	Jun 30, 2008
Revenue	**30,298**	41,385	40,850	14,560
Gross margin [(1)]	**8,045**	11,980	12,188	3,559
Net earnings (loss)	**2,154**	4,715	6,244	(1,055)
per unit – basic and diluted [(2)]	***0.19***	*0.42*	*0.56*	*(0.11)*
EBITDAC [(1)]	**3,689**	6,563	7,651	566
per unit – basic and diluted [(2)]	***0.33***	*0.59*	*0.68*	*0.06*
Funds flow from operations [(1)]	**3,481**	6,335	7,539	469
per unit – basic and diluted [(2)]	***0.31***	*0.57*	*0.67*	*0.05*
Distributions declared	**2,642**	2,653	2,653	2,371
per Class A Unit	***0.2376***	*0.2376*	*0.2376*	*0.2376*
per Subordinated Class B Unit	***0.2376***	*0.2376*	*0.2376*	*0.2376*
Partnership Units Outstanding [(2)]				
End of period	**11,119,801**	11,169,801	11,166,870	11,166,370
Weighted average – basic	**11,124,245**	11,167,794	11,166,513	9,822,070
Weighted average – diluted	**11,200,356**	11,167,794	11,230,889	9,912,771

($000's, except per unit amounts)	Three Months Ended Mar 31, 2008	Dec 31, 2007	Sept 30, 2007	Jun 30, 2007
Revenue	28,274	18,600	16,104	6,198
Gross margin [(1)]	8,969	5,773	5,337	1,444
Net earnings (loss)	5,282	3,292	3,037	(2,955)
per unit – basic and diluted [(2)]	*0.56*	*0.35*	*0.32*	*(0.32)*
EBITDAC [(1)]	5,852	3,503	3,218	(396)
per unit – basic and diluted [(2)]	*0.61*	*0.37*	*0.34*	*(0.04)*
Funds flow from operations [(1)]	5,703	3,450	3,223	(400)
per unit – basic and diluted [(2)]	*0.61*	*0.37*	*0.34*	*(0.04)*
Distributions declared	2,229	2,229	2,229	2,229
per Class A Unit	*0.2376*	*0.2376*	*0.2376*	*0.2376*
per Subordinated Class B Unit	*0.2376*	*0.2376*	*0.2376*	*0.2376*
Partnership Units Outstanding [(2)]				
End of period	9,380,946	9,380,946	9,380,946	9,380,946
Weighted average – basic	9,380,946	9,380,946	9,380,946	9,380,946
Weighted average – diluted	9,382,281	9,380,946	9,390,442	9,380,946

Notes:
[1] *Refer to the "Non-GAAP Measures" for further detail.*
[2] *Includes Class A Units and Subordinated Class B Units.*

Seasonality of Operations
The Western Canadian drilling industry is subject to seasonality with activity usually peaking during the winter months in the fourth and first quarters of any given calendar year. As temperatures rise in the spring, the ground thaws and becomes unstable.

Government road bans severely restrict activity in the second quarter before equipment is moved for summer drilling programs in the third quarter. These seasonal trends typically lead to quarterly fluctuations in operating results and working capital requirements, which should be considered in any quarter over quarter analysis of performance.

LIQUIDITY AND CAPITAL RESOURCES

The Partnership had net working capital of $15.6 million at March 31, 2009 compared to $15.8 million at December 31, 2008 for a slight decline of $0.2 million primarily due to seasonality of the Partnership's operations and decline in overall activity levels at March 31, 2009 as compared to December 31, 2008.

At March 31, 2009, the Partnership had total bank indebtedness through an operating credit line of $5.6 million compared to $12.7 million at December 31, 2008. The Partnership has total availability under this facility of $20.0 million subject to certain terms and conditions.

The Partnership has two committed loan facilities established with a Canadian commercial bank:

1. A $1.7 million committed loan facility. As of March 31, 2009 there was $1.6 million outstanding (December 31, 2008 - $1.7 million) on the loan. The loan is repayable in fixed monthly principal payments of $9,725 plus interest at the bank's prime rate plus 0.75%. The loan has an initial term of five years, with the bank reserving the right to extend the term by two additional five year periods at its discretion.
2. A $1.0 million committed loan facility. As of March 31, 2009 there was $0.8 million outstanding (December 31, 2008 - $0.9 million) on the loan. The loan is repayable over five years in fixed monthly principal payments of $16,667 plus interest at the bank's prime rate of interest plus 0.75%.

The debt facilities, including the operating line, are secured by a general security agreement creating a first priority security interest in all personal property of the General Partner, the Partnership and its subsidiaries, an unlimited corporate guarantee of the indebtedness of the Partnership given by the General Partner and the Partnership's subsidiaries, and a demand collateral mortgage on the Partnership's Edson, Alberta property.

These facilities impose the following financial covenants on the Partnership:

- The quarterly debt to equity ratio must not exceed 2.50 to 1.00. The ratio of debt to equity is calculated as total liabilities per the financial statements, less future income taxes and net of any cash credit balances, divided by total unitholders' equity per the financial statements, less any intangible assets including goodwill.
- The quarterly current assets to current liabilities ratio must not be less than 1.25 to 1.00. The ratio of current assets to liabilities is calculated as total current assets per the financial statements divided by current liabilities per the financial statements less current portion of long-term debt.
- The Partnership's annual debt service coverage ratio must not be less than 1.25 to 1.00. The debt service coverage ratio is calculated as net earnings for the period, before interest expense, future income tax expense, unit-based compensation, and amortization divided by the sum of all interest and principal payments for the period.

If the Partnership does not meet any one of these requirements, it is considered to be in default of the agreement and is restricted from making any distributions to unitholders without prior written consent of the lender. As at March 31, 2009, and as of the date of this MD&A, the Partnership has met all of the requirements under this agreement.

Under the current market conditions, the Partnership has an exposure to its lender with respect to the lender's potential inability to fund. Should the Partnership's lender be unable to, or choose not to fund, it would impair the Partnership's ability to operate until alternative sources of financing were obtained, as access to operating line funding is critical to the effective execution of the Partnership's business plan. To date, the Partnership has not experienced any funding issues under its debt facilities.

The Partnership's vehicle financing loans are secured by each related vehicle and incur interest at rates ranging from 0% to 13% and have terms ranging from April 2009 to December 2012. At March 31, 2009, outstanding vehicle loans totalled $2.0 million compared to $2.3 million as of December 31, 2008. During the quarter, the Partnership repaid some of its outstanding vehicle loans which were subject to higher interest rates.

At the time of the release of this MD&A, management is satisfied that the Partnership has sufficient liquidity and capital resources to meet the long-term payment obligations of its outstanding loans. The Partnership continually assesses its requirements for capital on an on-going basis, however, there can be no guarantee that the Partnership will not have to obtain additional capital to finance the expansion plans of the business or to finance any future working capital needs. The recent turmoil in the financial markets has impacted the availability of both credit and equity in the marketplace. The current market conditions indicate that, in the event that it is required, it may be difficult to issue additional equity or increase credit capacity and that the cost of any new capital will likely exceed historical norms and/or impose more stringent covenants and/or restrictions. In addition, there has been a dramatic reduction in crude oil and natural gas prices since the summer of 2008 which in turn has resulted in a significant reduction in industry forecasted levels of drilling activity in the WCSB and the United States. This in turn will reduce overall demand for the Partnership's products and services. As a result there has been a greater emphasis on evaluating credit capacity, credit counterparties, and liquidity by the Partnership.

Funds Flow from Operations and Distributions

CES calculated distributable funds based on funds flow from operations[1] and the payout ratio[1] based on the level of distributions declared as follows:

	Three Months Ended March 31,	
$000's	**2009**	2008
Cash flow from operating activities	**10,925**	(511)
Change in non-cash operating working capital (2)	**(7,444)**	6,214
Funds flow from operations (1)	**3,481**	5,703
Maintenance capital (3)	**(5)**	(115)
Distributable funds (1)	**3,476**	5,588
Distributions declared	**2,642**	2,229
Payout ratio (1)	**76.0%**	39.9%

Notes:
1 Refer to the "Non-GAAP Measures" for further detail.
2 See components of change in non-cash operating working capital balances below.
3 Refer to the "Operational Definitions" for further detail.

The changes in non-cash working capital from operating activities were as follows:

	Three Months Ended March 31,	
$000's	**2009**	2008
Operating activities		
Decrease (increase) in current assets		
Accounts receivable	**14,981**	(7,770)
Inventory	**2,198**	(1,183)
Prepaid expenses	**31**	(106)
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	**(9,762)**	2,845
Distributions payable	**(4)**	-
	7,444	(6,214)
Investing activities		
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	**29**	(66)
	29	(66)

Distributable funds were $3.5 million for the three months ended March 31, 2009 as compared to $5.6 million for the same period in 2008. During the three months ended March 31, 2009, the Partnership declared monthly distributions of $0.0792 per

Class A Unit for a total of $0.2376 per unit during the period and a total quarterly distribution of $0.2376 per Subordinated Class B Unit consisting of $0.1584 per Subordinated Class B Unit for the months of January and February and $0.0792 per Subordinated Class B Unit for the month of March. As previously noted, on March 11, 2009, 1,075,743 Subordinated Class B Units were exchanged for an equivalent number of Class A Units. Subsequent to the end of the quarter, on April 14, 2009, the remaining 1,075,743 Subordinated Class B Units were exchanged for an equivalent number of Class A Units. Following which there are nil Subordinated Class B Units outstanding.

The payout ratio for the first quarter of 2009 was 76.0% compared to 39.9% for the same period in 2008. Throughout the course of the year, the actual payout ratio varies with the seasonality of the Partnership's funds flow from operations. Periods of higher activity will cause the payout ratio to decrease, and likewise, lower activity periods will cause the payout ratio to increase. Distributions are funded by cash provided by operating activities. During periods of insufficient cash availability, due to either of the seasonality of the business or changes in the level of working capital, distributions may be funded through the Partnership's credit facility.

Management and the Board of Directors review the appropriateness of distributions on a monthly basis taking into account industry conditions and, particularly, growth opportunities requiring expansion capital and management's forecast of distributable funds.

The following chart summarizes the Partnership's distributions in relation to Canadian GAAP performance measures:

	Three Months Ended March 31	
$000's	**2009**	2008
Cash flow from operating activities	**10,925**	(511)
Net earnings	**2,154**	5,282
Distributions declared	**(2,642)**	(2,229)
Excess (shortfall) of cash flows from operating activities over distributions declared	**8,283**	(2,740)
Excess (shortfall) of net earnings over distributions declared	**(488)**	3,053

The excess of cash flows from operating activities over distributions declared in the three months ended March 31, 2009 is primarily a result of a focus by the Partnership to reduce non-cash working capital notably through reducing its inventory balances and through the collection of accounts receivable balances which were built up during the traditional busy winter drilling season. There was a shortfall of net earnings over distributions declared during the three month period ended March 31, 2009 which resulted in a reduction of unitholder's equity.

The sharp decrease in crude oil and natural gas prices since the summer of 2008, and the resulting decrease in actual year-to-date industry activity, and forecasted drilling activity for the remainder of 2009, will likely result in a decrease in the Partnership's overall activity levels in the near-term and the resulting cash flows over that term. The commodity price down-turn, combined with the on-going uncertainty and reduced access to the debt and equity markets, increases the importance of maintaining strong financial flexibility. The Partnership intends to closely manage its distribution levels and spending in order to minimize increases to its debt levels and preserve its balance sheet strength.

Although at this time the Partnership intends to continue to make cash distributions to unitholders, these distributions are not guaranteed. In addition, future expansion investments and acquisitions may be funded internally by withholding a portion of cash flow in conjunction with, or in replacement, of external sources of capital such as debt or the issuance of equity. To the extent that CES withholds cash flow to finance these activities, the amount of cash distributions to unitholders may be reduced.

Subsequent to March 31, 2009, CES declared monthly distributions of $0.0792 per Class A Unit to unitholders of record on April 30, 2009 for the month ended April 30, 2009.

Investing Activities
During the three months ended March 31, 2009, net cash flows from investing activities totalled $0.7 million compared to $0.4 million for the three months ended March 31, 2008.

During the three months ended March 31, 2009, the Partnership had $0.96 million ($0.87 million net of financing) in capital additions on property and equipment as compared to $0.68 million ($0.39 million net of financing) for the three months ended March 31, 2008. For the three months ended March 31, 2009, the Partnership had $0.005 million of additions related to maintenance capital additions and $0.964 million of additions related to expansion capital additions. Notable additions during the period ended March 31, 2009 included $0.3 million for tanker trailers used in the Partnership's trucking operations, $0.2 million for fluid storage tanks, and $0.2 million on the Partnership's Carlyle, Saskatchewan warehouse. Details of investment made in property and equipment are as follows:

	Three Months Ended March 31	
$000's	**2009**	2008
Expansion capital	**964**	565
Maintenance capital	**5**	115
Total investment in property and equipment	**969**	680
Vehcile financing	**(102)**	(286)
Capital expenditures	**867**	394
Change in non-cash investing working capital	**(29)**	66
Cash used for investment in property and equipment	**838**	460

In general, the long-term capital investments required for the Partnership to execute its business plan are not significant, and the majority of capital expenditures are made at the discretion of the Partnership based on the timing and the expected overall return on the investment. At the time of the release of this MD&A, the total budgeted long-term capital expenditures planned for calendar 2009 are less than $2.5 million.

Financing Activities
During the three months ended March 31, 2009, cash flow from financing activities totalled a cash outflow of $10.2 million compared to a cash inflow of $1.0 million during the three months ended March 31, 2008. During the three months ended March 31, 2009, the Partnership repaid $0.5 million of long-term debt balances, reduced bank indebtedness balances by $7.1 million and made distributions to unitholders totalling $2.6 million.

Unitholders' Equity
On March 1, 2009, the subordination period relating to the Subordinated Class B Units expired pursuant to the terms of the Amended and Restated Limited Partnership Agreement dated March 2, 2006. The Subordinated Class B Units are exchangeable for Class A Units of the Partnership and were subject to certain distribution and exchange restrictions during the subordination period from March 2, 2006 to March 1, 2009. On March 11, 2009 1,075,743 Subordinated Class B Units were exchanged for an equivalent number of Class A Units. Subsequent to the end of quarter, on April 14, 2009, the remaining 1,075,743 Subordinated Class B Units were exchanged for an equivalent number of Class A Units thereby reducing the balance of Subordinated Class B Units to nil.

As previously disclosed, on January 9, 2009, the Partnership repurchased for cancellation 50,000 Class A Units, for an aggregate total re-purchase price of $1.00, which had previously been held in escrow in accordance with the terms of the previous acquisition of technology used in designing certain drilling fluid systems ("Drilling Fluid Technology") in June of 2008. In conjunction with this transaction, the Drilling Fluid Technology with a carrying value of $0.35 million was returned to the vendor.

There were no additional units issued during the three month period ended March 31, 2009. As of March 31, 2009, there were 10,044,058 Class A Units and 1,075,743 Subordinated Class B Units outstanding. As of the date of this MD&A, there is a total of 11,142,301 Class A Units outstanding and nil Subordinated Class B Units.

Unit Based Compensation
As at March 31, 2009, a total of 1,111,980 Class A Units were reserved for issuance under the Unit Option Plan, the Distribution Rights Plan, and the Unit Bonus Plan of which 265,906 Class A Units remained available for grant.

a) Partnership Unit Option Plan
The Partnership may provide incentives to the employees, officers and directors of the General Partner, and certain service providers by issuing options to acquire Class A Units under the Partnership's unit option plan (the "Unit Option Plan"). As at March 31, 2009 a total of 750,500 (December 31, 2008 - 725,500) Unit Options were outstanding at a weighted average exercise price of $8.88. As at March 31, 2009 a total of 534,666 Unit Options were exercisable. As of the date of this MD&A, there were 730,500 Unit Options outstanding. The fair value of the Unit Options granted during the three months ended March 31, 2009 was $0.2 million. Unit Options granted vest as to one-third on each of the first, second, and third anniversary dates of the grant, or such other vesting schedule as determined by the Board of Directors, and expire no later than five years after the grant.

b) Partnership Distribution Rights Plan
The Partnership's Distribution Rights Plan provides long-term incentive to directors, officers, employees, and service providers of the Partnership who are providing services to the Partnership, the General Partner, or their affiliates through the issuance of Distribution Rights which are redeemable for Class A Units on the basis of distributions paid by the Partnership, thereby reflecting the total returns to holders of Class A Units. At March 31, 2009, a total of 75,075 (December 31, 2008 - 46,812) Class A Units were accumulated in the Distribution Right accounts of holders of an aggregate of 750,500 Distribution Rights (December 31, 2008 - 725,500). At the date of this MD&A, there were 79,491 Class A Units accumulated in the accounts Distribution Rights holders. Distribution Rights vest and are redeemable as determined by the Board of Directors at the time of grant. To the extent a grant of Distribution Rights is associated with a grant of Unit Options, the Distribution Rights will vest and become redeemable on the same schedule and to the extent that the corresponding Unit Option vests and becomes exercisable.

c) Partnership Unit Bonus Plan
The Partnership's Unit Bonus Plan is used to provide additional compensation, in lieu of cash bonuses, to the employees, officers, and certain service providers of the Partnership, subsidiaries of the Partnership, or the General Partner through the issuance of up to an aggregate maximum of 125,000 Class A Units. In certain circumstances Class A Units may be granted and reserved for issuance subject to the recipient achieving conditions as determined by the Board of Directors of the General Partner. As of March 31, 2009, a total of 96,000 Class A Units had been issued, or reserved for issuance pursuant to a conditional grant, under the Unit Bonus Plan. As of March 31, 2009, the Partnership had reserved for issuance under a conditional grant 20,500 Class A Units (December 31, 2008 – 20,500), which Class A Units were issued on April 1, 2009 upon satisfaction of certain conditions. At the date of this MD&A, there were 29,000 Class A Units available for future grants and nil Class A Units reserved for issuance which had been conditionally granted.

Commitments / Contractual Obligations
At March 31, 2009, the Partnership had the following commitments. These commitments relate to commitments not included as liabilities on the Partnership's balance sheet at March 31, 2009:

($000's)	**2009 - 9 Months**	**2010**	**2011**	**2012**	**2013**	**2014**	**Total**
Office rent	584	371	375	137	49	-	**1,516**
Vehicle operating leases	41	31	15	13	-	-	**100**
Total	625	402	390	150	49	-	**1,616**

As of the date of this document, given its current financial position, the Partnership anticipates it will be able to meet these commitments as necessary.

The Partnership is involved in litigation and disputes arising in the normal course of operations. Management is of the opinion that any potential litigation will not have a material adverse impact on the Partnership's financial position or results of operations and, therefore, the commitment table does not include any commitments for outstanding litigation and potential claims.

Pursuant to its acquisition of Clear Environmental Solutions Inc. on June 12, 2008, the Partnership may be required to pay contingent consideration, pursuant to a potential earn-out payment, up to a maximum of $2 million payable through the issuance of Class A Units. The contingent consideration payable is to be determined by subtracting $2.4 million from the net income from operations before management bonuses and investment income of the Partnership attributable to the business and assets acquired in connection with the acquisition for the twelve month period beginning July 1, 2008 and multiplying the positive result, if any, by a four times multiple. The payment, if any, will be satisfied by the issuance of Class A Units to the vendor no later than 60 days following the end of such twelve month period. The Class A Units will be issued at a price equal to the weighted average trading price of the Class A Units for the ten trading days preceding the earn-out payment date. At March 31, 2009, the Partnership had recorded an accrual relating to the contingent liability of $2.0 million (December 31, 2008 - $2.0 million) for the potential earn-out payment.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

CES prepares its consolidated financial statements in accordance with Canadian GAAP. The policies used by the Partnership for the three month period ended March 31, 2009 remain consistent with those used for the year ended December 31, 2008. Details of the Partnership's significant accounting policies are found in note 3 of the Partnership's audited financial statements for the year ended December 31, 2008. There were no new accounting policies announced during the period presented which would be expected to materially impact the Partnership's consolidated financial statements.

As a routine element of the financial statement preparation process, management is required to make estimates and assumptions based on information available as at the financial statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, the possible disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expense for the period.

Although estimates and assumptions must be made during the financial statement preparation process, it was management's opinion that none of the estimates or assumptions were highly uncertain at the time they were made. The most significant estimates in CES' consolidated financial statements were the impairment of goodwill, the amortization of property, equipment and intangible assets, future income taxes and unit-based compensation.

CHANGES IN ACCOUNTING POLICIES

The corresponding unaudited interim consolidated financial statements have been prepared by management of the Partnership in accordance with Canadian generally accepted accounting principles ("GAAP") following the same accounting principles and methods of computation as the Partnership's audited financial statements for the period ended December 31, 2008, except as noted below. These corresponding unaudited interim consolidated financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the most recent audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2008.

Goodwill and Intangible Assets

In January 2009, the Partnership adopted CICA Handbook Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. Section 3064 establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. There has been no impact to the Partnership as a result of the initial adoption of these standards.

Future Accounting Pronouncements

Business Combinations

In January 2009, the Accounting Standards Board ("AcSB") issued Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period. This standard applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after January 2011 with earlier application permitted.

Consolidated Financial Statements and Non-Controlling Interests
In January 2009, the AcSB issued Sections 1601, Consolidated Financial Statements, and 1602, Non-controlling Interests, which replaces existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier application permitted.

International Financial Reporting Standards (IFRS)
On February 13, 2008, the AcSB confirmed that effective for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011, International Financial Reporting Standards (IFRS) will replace Canada's current Generally Accepted Accounting Principles for all publicly accountable profit oriented enterprises. The Partnership will commence the process to transition from current Canadian GAAP to IFRS in 2009 by establishing a project plan and a project team to be led by finance management. The project will include representatives from various areas of the organization as necessary and consist of three phases: initiation, detailed assessment, and design and implementation. The first phase will involve the completion of a high level review of the major differences between current Canadian GAAP and IFRS. The detailed assessment and design phase will involve completing a comprehensive analysis of the impact of the IFRS differences identified in the initial scoping assessment. The implementation phase will involve executing the required changes to business processes, financial systems, accounting policies, disclosure controls, and internal controls over financial reporting. Regular reporting is to be provided to the Partnership's senior executive management and to the Audit Committee of the Board of Directors. At this time, the impact on financial statements is not reasonably determinable.

RISKS AND UNCERTAINITIES AND NEW DEVELOPMENTS

The drilling industry is cyclical and the business of CES is directly affected by fluctuations in the level of oil and natural gas exploration and development activity carried on by its clients. Drilling activity is seasonal and, in turn, is directly affected by a variety of factors including: weather; oil, natural gas, and natural gas liquids prices; access to capital markets; and government policies including, but not limited to, environmental regulations. Any prolonged or significant decrease in energy prices, economic activity, or adverse change in government regulations could have a significant negative impact on exploration and development drilling activity in North America and in turn demand for the Partnership's products and services. There has been a dramatic reduction in crude oil and natural gas prices since the summer of 2008 and, in turn, a significant reduction in industry forecasted levels of drilling activity in the WCSB and the United States which may severely reduce activity levels for the Partnership and the resulting cash flows achieved over any term of reduced activity.

The oil and natural gas drilling season is affected by weather. The industry is generally more active in the WCSB during the winter months of November through March, as the movement of heavy equipment is easier over the frozen ground. Wet weather, traditionally in the spring and summer, can hamper the movement of drilling rigs which has a direct impact upon the Partnership's ability to generate revenue. Conversely, a longer colder winter as well as a dry spring and summer strengthen drilling operations and therefore could serve to enhance the Partnership's revenue generation opportunities. Mitigation of weather risk is difficult and costly as effective derivative products do not yet exist to successfully manage this risk.

The ability of the Partnership to expand its services will also depend upon the ability to attract qualified personnel as needed. The demand for skilled oilfield employees and drilling fluid technicians has, in recent history, been high and the supply has been limited. The unexpected loss of the Partnership's key personnel or the inability to retain or recruit skilled personnel could have an adverse effect on the Partnership's results. CES addresses this risk by:

- attracting well trained and experienced professionals;
- offering competitive compensation at all levels;
- ensuring a safe working environment with clearly defined standards and procedures; and
- offering its employees both internal and external training programs.

CES takes its health, safety, and environmental responsibilities seriously and has instituted standards, policies, and procedures to address these risks. In addition, the Partnership maintains insurance policies with respect to its operations providing coverage of all of what it considers to be material insurable risks.

Significant changes in the oil and gas industry including economic conditions, environmental regulations, government policy, and other geopolitical factors may adversely affect CES' ability to realize the full value of its accounts receivable. In addition, a concentration of credit risk exists in CES' trade accounts receivable since they are predominantly with companies operating in the WCSB, as the growth in the United States market has, to date, been limited. CES continues to attempt to mitigate the credit risk associated with its customer receivables by performing credit checks as considered necessary, managing the amount and timing of exposure to individual customers, reviewing its credit procedures on a regular basis, and reviewing and actively following up on older accounts. CES does not anticipate any significant issues in the collection of its customer receivables at this time outside of those for which have already been provided for. However, if the current low commodity prices and tight capital markets prevail, there is a risk of increased bad debts. It is not possible at this time to predict the likelihood, or magnitude, of this risk.

The Government of Alberta receives royalties on production of natural resources from lands in which it owns the mineral rights. On October 25, 2007, the Government of Alberta announced a new royalty regime that will introduce new royalties for conventional oil, natural gas, and oil sands that are linked to price and production levels. The new royalty regime is effective January 1, 2009. The changes to the royalty regime may adversely affect the exploration for, and the development of oil and natural gas by entities operating in the Province of Alberta, particularly medium/deep natural gas and high productivity conventional oil, which could negatively impact the business, operations, cash flow, and distributions of CES.

On November 19, 2008 and November 24, 2008 the Alberta provincial government announced details of an optional five-year transitional royalty program that applies to conventional oil and natural gas wells drilled to measured depths between 1,000 to 3,500 meters between November 19, 2008 and January 1, 2014. For each well, the producer can make a onetime election to produce the well under the transitional royalty program or the new royalty regime. As of January 1, 2014, all production subject to the transitional program will revert to the new royalty regime. On March 3, 2009, an incentive program designed to encourage the execution of new drilling projects in Alberta was announced in response to the global economic crisis and slowdown in drilling activity throughout the province of Alberta. The incentive program provides for a drilling royalty credit for new conventional oil and natural gas wells that initiate drilling on or after April 1, 2009 and that complete drilling by March 31, 2010.

The incentive program also provides a reduced royalty rate on new wells for the first year of production up to an established total production volume.

These changes to the Alberta royalty regime, as well as the potential for future corresponding changes in the royalty regimes applicable in other provinces, have created uncertainty resulting in additional volatility and uncertainty in the oil and gas market. At the current time it is not possible to predict what the impact on the Partnership will be.

The recent turmoil in the financial markets has impacted the availability of both credit and equity in the marketplace. The current market conditions indicate that, in the event that it is required, it may be difficult to issue additional equity or increase credit capacity without significant costs at this time. In addition, under the current market conditions the Partnership has an exposure to its lender with respect to the lender's potential inability to fund. Should the Partnership's lender be unable to, or choose not to fund, it would impair the Partnership's ability to operate, as access to operating line funds is critical to the effective execution of the business. The Partnership has not experienced any funding issues under its debt facility to date.

Reference should be made to the Partnership's Annual Information Form dated March 4, 2009 for the period ended December 31, 2008, and in particular to the heading "Risk Factors" for further risks associated with the business, operations, and structure of the Partnership which is available on the Partnership's SEDAR profile at www.sedar.com.

OUTLOOK

The sharp decrease in crude oil and natural gas prices since the summer of 2008, and the resulting decrease in both Q1 actual and 2009 forecasted industry drilling activity throughout North America, will likely result in a decrease in the Partnership's overall activity levels through the remainder of 2009 and the resulting cash flows over that term. The commodity price down-turn, combined with the on-going uncertainty and reduced access to the debt and equity markets, increases the importance of maintaining strong financial flexibility. As a result, the Partnership intends to closely manage its distribution levels and capital expenditures in order to minimize increases in debt levels and preserve its balance sheet strength and liquidity position.

Despite the uncertain times facing the North American drilling market, CES' exposure to the growth in the number of horizontal wells being drilled bodes well for the Partnership. These wells require complex drilling fluids to best manage drilling times and costs and our unique products like Seal-AX™ and Liquidrill™, combined with our concerted focus on providing superior service, positions CES well in this current environment.

Drilling in the oil sands and heavy oil, which will continue to benefit CES from our Liquidrill™/Tarbreak products, is forecast to continue, albeit at lower levels in the current commodity price environment.

Our expansion into the Oklahoma market complements our US Rockies group based in Denver. These markets present us with potential incremental growth. Our strategy remains to utilize our patented and proprietary technologies and local personnel to create market share in the US market.

The Clear Environmental and EQUAL Transport divisions are making substantial contributions to our business. They continue to complement CES' core drilling fluids business and we expect both to perform well but, based on current industry activity forecasts, at reduced levels from 2008.

In addition, CES will continue to invest in research and development and technology advancements in the drilling fluids market. CES will also provide integrated business solutions to drive margins and remain competitive for our customers.

The Partnership's existing credit line of $20.0 million is expected to provide the Partnership with sufficient flexibility to meet working capital investments.

CES believes that its value proposition in horizontal, oil sands, and deeper natural gas drilling, will position it as the premium drilling fluids provider in the market. CES' technologies have global application and the Partnership will continue to pursue opportunities that align our service offerings with the needs of our customers. We are confident that our technologies will be embraced as we build out our operations. We believe the US operations offer significant growth opportunities. Procuring materials and providing engineering support for these new activities can be achieved without adversely affecting our traditional markets.

CORPORATE GOVERNANCE

For information regarding the corporate governance policies and practices of the Partnership and the General Partner, the Reader should refer to CES' 2008 Annual Report, CES's Annual Information Form dated March 4, 2009 in respect of the year ended December 31, 2008, and CES' Information Circular in respect to the May 12, 2008 Annual General and Special Meeting of unitholders each of which are available on the Partnership's SEDAR profile at www.sedar.com.

ADDITIONAL INFORMATION

Additional information related to the Partnership can be found on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. Information is also accessible on the Partnership's web site at www.CanadianEnergyServices.com.