



**FOR IMMEDIATE RELEASE: THURSDAY, MARCH 25, 2010**

**BlackWatch Energy Services Corp. announces financial results for the  
year ended December 31, 2009.**

BlackWatch Energy Services Corp. (“BlackWatch” or the “Company”) (TSX: BWT) announces its results for the year ended December 31, 2009. All figures are reported in Canadian dollars unless otherwise stated. Our audited consolidated financial statements with notes and related MD&A for these years will be filed separately on SEDAR ([www.sedar.com](http://www.sedar.com)). Please review that material in conjunction with this press release.

**HIGHLIGHTS**

2009 was a very challenging year in the western Canadian oil field service sector and despite these challenges BlackWatch was able to exit the year in a stronger position. During 2009 BlackWatch:

- announced a new senior management team consisting of Hank Swartout as Chairman of the Board and John King as President and CEO;
- recapitalized its balance sheet through the issuance of \$120.5 million of new equity including the conversion of \$24.2 million of subordinated debt to common shares;
- achieved significant cost reductions in its Canadian operations, while expanding the range of services provided to maintain operating margins in the face of declining industry activity levels and pricing pressure;
- disposed of our transportation service line for cash proceeds to focus efforts on service areas we feel will benefit from the exploitation of unconventional resources;

- expanded its drilling operations into Latin America through the purchase of six deep capacity rigs and associated service contracts in Mexico.

To date in 2010, BlackWatch has:

- expanded its well construction business through the acquisition of a directional drilling company with operations in Mexico and the United States;
- established a regional head office in Dubai and announced an agreement to acquire two recently commissioned deep capacity rigs in Libya with an option to purchase three additional rigs in Middle East North Africa (“MENA”).

These acquisitions are consistent with the Company’s strategy of developing a complementary range of well construction services in targeted international markets, supported by the existing Canadian base of operations.

In addition to the international expansion the Company continues to focus on expanding its service offerings in western Canada to take advantage of active and growing markets, while remaining focused on reducing costs to offset the impact of reduced western Canadian activity levels.

## **FINANCIAL & OPERATING SUMMARY**

The table below provides a summary of BlackWatch’s financial and operating results for the years ended December 31, 2009 and 2008. BlackWatch’s acquisition of drilling rigs in Mexico on September 30, 2009, the announced acquisition of drilling rigs in Libya, which is anticipated to be completed in April 2010, and the January 2010 acquisition of a directional services business with operations in the United States and Mexico, will have a material impact on operating results in 2010.

## Summary Financial Information

(\$ thousands, except per share unit amounts)	Year ended December 31,	
	2009	2008
Revenue from continuing operations	\$ 34,955	\$ 40,003
Gross margin <sup>1</sup> from continuing operations	\$ 6,890	\$ 7,174
Adjusted EBITDA <sup>1</sup>	\$ 3,411	\$ 3,057
Loss from continuing operations	\$ (6,195)	\$ (15,240)
Per common share - basic and diluted	\$ (0.05)	\$ (0.23)
Loss and comprehensive loss for the year	\$ (8,909)	\$ (22,989)
Per common share - basic and diluted	\$ (0.07)	\$ (0.67)

<sup>1</sup> See definition within the *Non-GAAP Measures* section.

(\$ thousands)	As at December 31,	
	2009	2008
Total assets	\$ 140,068	\$ 64,437
Debt and capital lease obligations:	\$ 7,918	\$ 43,096
Shareholders' equity	\$ 122,335	\$ 15,038

Although revenues were lower in 2009 compared to 2008, adjusted EBITDA increased due to lower selling, general and administration costs and improved margins within the drilling division and the expansion of our service offerings.

The decrease in revenue in 2009 was due to significantly lower customer demand for oilfield services in the western Canadian sedimentary basin. In 2009 industry drilling rig utilization was 39% lower than in the previous year. In spite of this dramatic reduction in activity, BlackWatch adapted to the new environment and demonstrated an ability to differentiate its product offering through fixed-price performance-based drilling contracts. These contracts involve the coordination of multiple services offered by BlackWatch and other service companies. Additionally BlackWatch has successfully completed an increasing number of

drilling projects using casing drilling technology. Casing drilling continues to prove itself as one of the most cost-effective methods to drill certain types of shallow wells. This is reflected in the growing number of clients that have selected casing drilling over other drilling methods for shallow wells. The Company has also added micro seismic monitoring services, which have a variety of oilfield applications, currently the most important of which, measures reservoir related changes due to hydraulic fracture stimulation activities. Micro seismic services provide the client with seismic information for horizontal, multi-stage fracturing operations, which are becoming more prevalent as oil and natural gas companies utilize these new technologies to enhance production. The addition of these new service delivery models is part of the Company's strategy to reposition its Canadian services in order to capitalize on the growing business opportunities in emerging unconventional resource plays.

The Company implemented wage rollbacks, cost controls and personnel reductions during 2009 which, in conjunction with the service initiatives described above, helped to maintain EBITDA at levels consistent with the prior year.

## **OUTLOOK**

The Company continues to focus on growing its business internationally. BlackWatch believes that geographic diversification of its operations, especially to areas such as Latin America and the Middle East and North Africa, where significant oilfield development is expected to occur, will be important to its future success. Management expects that this focus and emphasis on acquiring not only equipment and infrastructure, but also securing long term revenue streams, will increase utilization and provide better predictability of earnings by offsetting the seasonality within the Canadian marketplace. This strategy is evident in the Chicontepec region of Mexico where our rigs are being re-deployed to a new project as earlier projects come to an end. Management continues to integrate its recently acquired drilling rigs in Latin America and the private directional services business acquired in the United States. The Company believes these two completed acquisitions combined with the recently signed agreement to purchase two rigs in Libya, expected to close in April 2010, and the option to buy three additional rigs in the MENA region will provide a stable platform for management's ongoing international strategy. This will provide the Company with a dedicated base in the Middle East market, which will complement its growing drilling

business. Through the strategic combination of these services we foresee further growth opportunities in Latin America, as well as the MENA region.

BlackWatch recognizes that significant challenges remain while the western Canadian oilfield market is experiencing such low activity levels. We believe that ultimately, this market will recover. In last year's difficult business environment, we controlled costs, re-capitalized our balance sheet and re-focused some of our service lines. We have positioned BlackWatch in more lucrative applications where new industry trends are fueling increased demand and taken meaningful first steps in building our international business. BlackWatch is confident that these steps will create a strong business platform which is well positioned to deliver shareholder value.

#### **ABOUT BLACKWATCH ENERGY SERVICES CORP.**

BlackWatch is a diversified energy services company that provides a range of services to its customers operating in the western Canadian sedimentary basin including drilling, wireline services, oilfield hauling, production services and oilfield equipment rentals. BlackWatch also provides directional drilling services in the United States and drilling and directional drilling services in Mexico. The common shares of BlackWatch trade on the Toronto Stock Exchange under the symbol "BWT".

*For more information regarding these financial and operating results or the reorganization, please contact:*

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## **FORWARD LOOKING STATEMENTS**

*This news release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. More particularly, and without limitation, this news release contains forward-looking statements and information concerning anticipated activity levels in western Canada; BlackWatch's strategy to capitalize on the experience and skills of the new members of BlackWatch's management team and to explore the investment opportunities available in the current environment; geographic diversification of its operations, especially to areas such as Latin America and the Middle East and North Africa, where significant ongoing development is expected to occur, will be important to its future success; increase utilization and provide better predictability of earnings by off setting the seasonality within the Canadian marketplace; The Company anticipates that the purchase of the two rigs in Libya will close in April 2010; the effect of ongoing reductions in utilization rates on pricing of BlackWatch's services and the Company's margins; timing of work of BlackWatch's rig under long-term contract; and BlackWatch's plans to grow profitable businesses both domestically and internationally while maintaining financial flexibility.*

*These forward-looking statements and information are based on certain key expectations and assumptions made by the Company regarding business prospects; strategies; conditions in general economic and financial markets; regulatory developments; competition; exchange rates; applicable royalty rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; and the availability and cost of labour and services, which are subject to change based on market conditions. Although the Company believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because the Company can give no assurance that they will prove to be correct.*

*Since forward-looking statements and information address future events, by their nature, such statements and information involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks,*

*including fluctuations in the market for oil and gas and related products and services; failure of counter-parties to perform on contracts; political and economic conditions; the demand for BlackWatch's services; competition; and BlackWatch's ability to attract and retain customers and employees. The Company has provided the forward-looking statements herein in reliance on certain assumptions that they believe are reasonable at this time. These forward-looking statements may change for a number of reasons. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this news release concerning these times.*

*Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the operations or financial results of the Company are included in reports on file with the applicable securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)). The forward-looking statements and information contained in this news release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless as required by applicable securities laws.*

### **NON GAAP MEASURES**

The following measures are used within this release, but not recognized under GAAP. As a result, the method of calculation may not be comparable with other companies. These measures should not be considered alternatives to net earnings and net earnings per share as calculated in accordance with GAAP:

Gross margin – This measure is considered a primary indicator of operating performance and is calculated as revenue less operating expenses.

Adjusted EBITDA (Earnings before interest, income taxes, depreciation and amortization and share based compensation) – Management believes that Adjusted EBITDA as derived from information reported in the Consolidated Statement of Operations and Comprehensive Loss and Deficit is a useful supplemental measure as it provides an indication of the

Company's ability to generate funds by the Company's core business activities prior to consideration of how those activities are financed, the impact of foreign exchange, how the results are taxed, how funds are invested or how non-cash depreciation and amortization charges affect results.

*The TSX has not reviewed and does not accept responsibility for the adequacy or accuracy of this news release.*