

Pipeline on Wheels, Dalmac Energy Inc. has been Providing Oilfield Services to Oil and Gas and Fracking Companies in West Central Alberta Canada for Over 55 Years - seeing Substantial Growth over the Past 8 Years

**Energy
 Oilfield Services
 (DAL-TSXV)**



**John Ivan Babic
 Chairman & CEO, Director**

BIO:

Mr. Babic has acted as a Director, Chairman and Chief Executive Officer of Dalmac Energy Inc. since August 2003. John served as a Director (1995-2003) and as the Chairman and CEO (1995 to 2002) of Hyduke Energy Services Inc., a company trading on the TSX Venture. Mr. Babic has also been a Director of Raydan Manufacturing Inc., a company trading on the TSX Venture. Since May 1986, John has been President of Professional Consulting Solutions Ltd., an Edmonton based consulting and investment company. Mr. Babic received his Bachelor of Commerce degree from the University of Alberta in 1983 and a Bachelor of Arts degree from the University of Alberta in 1981.

Company Profile: Dalmac Energy Inc. is a growing company which specializes in oilfield servicing, fluid hauling, chemical sales, tank rentals and rig moving. Headquartered out of Edmonton, Dalmac's operations have been servicing west central Alberta for over 55 years. Dalmac has over 171 pieces of rolling stock service equipment which includes tank, vacuum, hydro-vac, pressure, hot oiler, acid flush, steamer, picker and winch trucks in addition to 250 rental stock items which consist of oilfield tanks and matting. Dalmac currently employs over 110 people from its operations in Fox Creek, Edson, Warburg and Pigeon Lake, Alberta.

**Interview conducted by:
 Lynn Fosse, Senior Editor**

CEOCFO: Mr. Babic, will you bring us up to date with Dalmac Energy?

Mr. Babic: The best way to explain us is we are a pipeline on wheels. We do various service work with oil and gas companies and fracking companies. We provide vacuum pressure, heat type applications to the oil field services and we haul fluids. In a nutshell, that is what they do. We operate in West Central Alberta, which is one of the busiest oil and gas producing areas in North America. We work in the Cardium Zone. There is a whole lot of activity in West Central Alberta right now.

CEOCFO: Why are people choosing Dalmac for their services or is it almost like a commodity, people will use who is available.

Mr. Babic: There have been a few changes underfoot over the past while in the industry and the industry is more conscious of doing the job

safely and protecting the environment. The oil and gas producers are looking at partnering up with companies that share the same values, have the same commitment to safety and can demonstrate and assess their commitment. Over the past year, we have spent over \$1 million in restructuring, revamping and overhauling our safety program. We have done this not only from our written policy, but also through to the practices, the training, the meetings, the reviews, the follow-ups, the routines and the audit requirements associated with that process. Our equipment is also certified and inspecting annually. It is walking the walk not just talking it.

CEOCFO: Is that unusual for companies in your area?

Mr. Babic: It is getting more and more the norm, but, it is not a cheap thing to do. For a lot of smaller operators, it is an additional hurdle they have to overcome. It is an additional expense and they are finding it difficult to comply with all the requirements that are presently expected.

CEOCFO: Are acquisitions a possibility for Dalmac Energy?

Mr. Babic: That is the way it works in our industry, so it is always happening.

CEOCFO: What is the Dalmac growth strategy?

Mr. Babic: We are growing, over the past eight year we have gone from a \$5 million company and we are probably going to peak out in the mid-30's this year, so that is pretty substantial growth over the past eight years. Most of it has been organic. We have grown by acquisitions by acquiring smaller companies and

blending them into the Dalmac culture of the company. However, we have a lot of opportunity right now to grow organically without necessitating the search for acquisitions. Oilfield trucking is a staple operation in the oil patch. Other segments of the industry may be more highlighted such as drilling and fracking, but there are two points to consider: 1 – nothing is ever done dry. Drilling and fracking require liquids (H₂O – primarily) for circulation. This requires trucking to get the products to location and then take them away for treating and disposal. 2 – in order for oil and gas products to get to market the must be delivered from the well to a gathering and treating facility for distribution down to the pipelines towards the refineries. There are too many wells in too many remote areas to flow line everything. This requires a lot of trucking.

CEOCFO: Are there any services that you are not offering now that you would like to add or that need to be added?

Mr. Babic: Right now, it is more of the same. There is a demand for the services that we are currently offering and there is more of a demand than we are able to supply. Therefore, there is no need for us to broaden out and try to provide different types of services. Some areas of expansion include more pressure and heating units along with specialized well and line flushing operations such as acid treatments. We can continue to grow and expand by providing them the same service that we are offering right now.

CEOCFO: Given the industry demand, is it difficult to recruit the appropriate personnel to operate the equipment?

Mr. Babic: It is getting tighter and tighter all the time. The labor market is drying up. We are seeing a lot of personnel coming into industry that we hire, labor costs are going up because the demand is there. It takes a while to train people. We are seeing across the board all the costs are going up and commensurate with that we are also seeing the rates going up

too. Therefore, it kind of works both ways, but definitely the costs are going up and the labor market is drying up.

CEOCFO: How often do you have to take units out of commission in order to service or refurbish them?

Mr. Babic: Our equipment is pretty conventional. It is not like some strange or exotic breed of manufacturing equipment or anything. We have trucks, which haul fluid, tankers, vacuum trucks, and we have pressure trucks. The trucks we maintain on a regular basis, our equipment is maintained on constantly. We have major certifications annually on all the trucks and equipment. Depending on the application, whether it is a tanker, a pressure truck or how much driving a

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unit is doing, an average truck lasts about five years, maybe even longer if it is well maintained, but we try to cycle the equipment. The operating end of the equipment lasts a lot longer probably up to 8 or 15 years.

CEOCFO: Do you work with oil companies on a project by project basis?

Mr. Babic: We have longer term contracts. Basically, when we are hauling we are committed to servicing a certain field. The product is pumped out of the ground with wells and so forth, it is brought into tanks and we have to transfer the fluid from the production zone into a gathering station of some sort. This is done on an ongoing basis and depending on the production of a particular well that determines the frequency that you have to be on location to facilitate the transfer. Then there are other projects. Sometimes they will have to reenter a well to

stimulate production. If it is a well that could be producing a lot more and for whatever reason it is not, it probably needs some maintenance work. That would be a specialized project. You might have to move in specialized treatment to provide the necessary treatment to get the well going to where it should be. There are new wells that are being drilled and there is fracking applications happening, especially with newer production that is coming on stream. Once that production comes on stream it still has to be serviced the old fashioned way. You still have to move the fluid from the production zone over to the gathering system, which will then be transferred down the pipeline.

CEOCFO: Dalmac has a 56 year history; how important is that when people are choosing Dalmac? Is it a big factor?

Mr. Babic: Yes it is. We operate in rural Alberta. We are a known entity in the communities in which we operate, and we hire local people. Oil and gas companies that come into those communities also want to become part of the community, knowing the field, the area, how to get there, what the history of the location and reservoirs are like, what the wells people are producing and the type of treatment that they require. All of those things blended together are a factor, no doubt about it. Dalmac's 56 year history in the oil and gas sector is a significant amount of experience that we can bring to the table.

CEOCFO: What is the financial picture like for Dalmac Energy today?

Mr. Babic: Pretty good. We just issued our 3rd Quarter financials; our year ended April 30th. We did I think \$11 million in the 3rd Quarter and a little over \$1.3 million net earnings.

CEOCFO: What is the strategy for the next year or two?

Mr. Babic: This next year is going to be a virtual replication of this year. We have some new equipment coming on, which we are going to put out in the fields. We are looking at probably 10% to 15% growth over last year.

CEO CFO: Why should investors pay attention to Dalmac Energy today?

Mr. Babic: Investors should consider Dalmac Energy because of here we are, what we do and the future opportunities in Alberta. Alberta is blessed with great abundant reserves of natural resources especially oil and gas. There is a great deal going on right now in our area in terms of expansion bringing more production. The forecast for the next two or three years is

that our production is supposed to be going up. Right now, Alberta or Canada is producing about 3 million barrels a day and within three to five years, they are talking about bringing that up to 4 or 5 million barrels a day. We are a net exporter. To reach those objectives and those goals is going to require significant amount of development infrastructure, production, drilling, and all those sorts of things, which we are right in the center of.

Our opportunities for growth and expansion are commensurate with that, so we are going to be very busy for the next while. We are a growing company. Our history demonstrates how much we have grown over the past eight years and there is more opportunity now than we have ever seen in our industry and for our company.

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