

ACR Aboriginal Programs Project Program Template

Program Area:	3.0	Business Development
Sub Program:	3.2	Strengthening Business Capabilities
Template:	3.2.1	Drilling Rig First Nation Partnerships
Sponsor(s):	<i>Western Lakota Energy Services Inc.</i>	

1. Objective

To establish mutually beneficial business partnerships for the ownership of state-of-the-art drilling rigs between industry and First Nation and Métis communities.

2. Description

Western Lakota constructs and sells interests in state-of-the-art drilling rigs to Aboriginal partners. The rigs are then operated by Western Lakota with other rigs in its fleet to provide contract drilling services to the oil and gas industry in western Canada. Western Lakota supervises rig construction and commissioning, arranges bank and other financing for the construction of rigs, arranges drilling contracts, and acts as manager, operator and marketer of the drilling rigs that are built and interests therein sold to Aboriginal partners. Western Lakota's business strategy is to work in partnership with Aboriginal communities by providing a long-term ownership investment opportunity for Aboriginal partners and training and hiring people from Aboriginal communities to work on the drilling rigs.

Western Lakota's currently has 50/50 partnerships with the following Aboriginal communities:

- Dene Tha' First Nation - five rigs
- Saddle Lake First Nation - two rigs
- Duncan's First Nation - one rig
- Blood Tribe - one rig
- Horse Lake First Nation - one rig

The Métis Nation of Alberta owns 100% of another rig that is operated by Western Lakota. The Samson Cree Nation recently transferred its portion of three rigs back to the corporation in exchange for shares. The Samson Cree Nation is now a major shareholder of Western Lakota and Chief Victor Buffalo of the Samson Cree Nation is a company director.

Upon establishing relationships with Aboriginal groups, Western Lakota makes employment and training opportunities available to the communities of its Aboriginal partners. Drilling crew members receive training and skills upgrading as necessary, and are encouraged to move up through the employment levels inherent in drilling operations. In addition, Western Lakota endeavours to facilitate hiring Aboriginal consultants and auxiliary services to support drilling

operations where practical.

In October 2004 Western Lakota established a Drilling Rig Training Program. The training is done directly in the community. Alberta Human Resources and Employment committed funding to launch the program, which includes personal empowerment counselling, hands-on training on a portable drilling rig platform, classroom teaching, emergency first aid training and hydrogen sulphide training. Trainees who successfully complete the program should be employable in the oilfield services industry.

Aboriginal partnerships provide Western Lakota with unique operational and financial leverage. Establishing partnerships with Aboriginal groups presents benefits for both partners as well as for the corporation's customers. Equity investment in drilling rigs is designed with an expectation of a return on investment for the corporation's Aboriginal partners.

For its oil and gas customers, Western Lakota's Aboriginal partnerships facilitate the development of positive relations with Aboriginal communities. The objective is that the relationship will foster the economic participation of Aboriginal communities in the energy services industry.

3. Implementation

Some of the key elements for implementation and management of this program are:

- An established communications process with the Aboriginal partner community:
 - Quarterly meetings are held with each partner to report on the financial, operational, and employment status of the partnership, as well as any other issues important to that specific Aboriginal community.
 - An open-door policy in which members of the community may contact any of Western Lakota's management to discuss issues of concern from their perspective.
- Support for the partner communities:
 - Each partnership has a community sponsorship budget that is used to sponsor local community activities, such as pow wows and youth leadership programs. Company personnel often get involved in these community events as well.
 - The implementation of the Drilling Rig Training Program has provided training and employment opportunities for the community members.
- Meeting with new Aboriginal groups that have shown an interest in the organization. The company also occasionally places advertisements in Aboriginal-focused newspapers and magazines to encourage interested parties to contact Western Lakota.

4. Timeframe for Results

Timelines can range from four months to over a year, given the need for issues between the parties to be addressed and the time required to create agreements and complete financing and funding application and approvals. Interim financing is frequently used as a means of shortening this time frame. Typically, the rigs are paid out in approximately four years. Western Lakota is accountable to its shareholders; Aboriginal representatives are elected and accountable to their

constituents/members. It can take some time to build trust with the community. Western Lakota is in various stages of discussions with several Aboriginal communities, aside from its current partners.

5. Measurable Criteria

- Positive financial results for the partnership - profits, revenue growth, etc.
- Creation of a successful Aboriginal business model with good growth potential
- Rig utilization rates that generally exceed the industry average build exceptional value and produce strong financial returns for Aboriginal partners
- Once the first rig(s) are purchased in a partnership and have operated for a period of time, the earnings and available debt financing may allow for further rig purchases
- Creation of a sustainable and skilled Aboriginal employment base through the Drilling Rig Training Program
- Customer support for strong in-field performance coupled with Aboriginal partnerships
- Strength of the relationship between company and community

6. Budget

The budget for each partnership is determined on a case-by-case basis, taking into consideration several factors such as the cost of the rig(s), the availability of funding and financing opportunities, etc.

7. Partners and Sponsors

Western Lakota Energy Services Inc. is the sole sponsor.

8. Experience with the Program

This program is seen as very successful to date. Drilling rigs that are equity-owned have delivered high performance levels. Aboriginal employment on rig crews has increased. The partnerships have received strong support and endorsement among government, industry and community stakeholders.

The Samson Cree Nation has recently exchanged its 50% ownership interest in three drillings rigs for shares in Western Lakota and has therefore become major shareholders of the corporation. Chief Victor Buffalo has also been named a director of Western Lakota.

9. General Applicability

While this particular example is related to oil and gas, this program is a model which can be used by both resource industries and suppliers where there is potential for Aboriginal companies to purchase equity in business ventures.

10. Additional Information or Support

Elson McDougald, President and CEO, Western Lakota Energy Services, 1050, 400 5 Avenue SW, Calgary, Alberta, T2P 0L6

Telephone: (403) 214-5953

Email: elson@westernlakota.com

Fred Jobin, INAC Economic Development, 630 Canada Place, 9700 Jasper Avenue, Edmonton, AB,
T5J 4G2

Telephone: (780) 495-2818

Email: jobinf@inac.gc.ca

Gary Trippel, Consultant Business Development-Funding, Calgary, AB

Telephone: (403) 245-6586

Email: gtrippel@telusplanet.net

Date Entered or Updated: August 17, 2005