

Your Rights Certificate is enclosed. Please read this material carefully as you are required to make a decision prior to 4:30 p.m. (Calgary time) on December 18, 2009.

No securities commission or similar authority in Canada has expressed an opinion about these securities and it is an offence to claim otherwise. The offer of these securities is being made only in the provinces and territories of Canada and any other jurisdiction in which it can lawfully be made. The securities offered hereby have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or any state securities laws, and, subject to certain exceptions, may not be offered, sold or delivered in the United States of America, or in its territories or possessions, except in transactions exempt from such registrations. See "Ineligible Unitholders".

Rights Offering Circular

November 5, 2009



DEEPWELL ENERGY SERVICES TRUST

Offer of Rights to Subscribe for up to 1,800,049 Units

Subscription Price: Four (4) Rights and \$0.72 per Unit

Deepwell Energy Services Trust (the "**Trust**"), having its head office at Suite 1250, 736-6th Avenue S.W., Calgary, Alberta T2P 3T7 and its registered office at Suite 1500, 407 2nd Street S.W., Calgary, Alberta, T2P 2Y3, is issuing to the holders of record (the "**Unitholders**") of its outstanding trust units (the "**Units**"), at the close of business (Calgary time) on November 19, 2009 (the "**Record Date**"), transferable rights (the "**Rights**") to subscribe for and purchase an aggregate of 1,800,049 Units (the "**Offering**"). The Trust currently has 7,200,198 Units issued and outstanding. Each Unitholder at the close of business on the Record Date is entitled to receive one Right for each Unit held. Rights are fully transferable and divisible and will be evidenced by a rights certificate (the "**Rights Certificate**"). Every four (4) Rights entitle the holder thereof to purchase one (1) Unit at a price of \$0.72 per Unit (the "**Subscription Price**") on or before 4:30 p.m. (Calgary time) (the "**Expiry Time**") on December 18, 2009 (the "**Expiry Date**"). Holders of Rights who exercise their Rights in full are entitled to subscribe for additional Units offered under the Offering that are not otherwise subscribed for by the Expiry Date, if any, pursuant to the Additional Subscription Privilege (as hereinafter defined). See "*Description of Rights - Additional Subscription Privilege*". **Rights not exercised by the Expiry Time will be void and of no value. Fractional Units will not be issued.**

SUMMARY OF OFFERING

Number of Rights:	7,200,198
Record Date:	November 19, 2009
Expiry Time and Date:	4:30 p.m. (Calgary time) on December 18, 2009
Subscription Price:	\$0.72 per Unit
Basic Subscription Right:	Each Unitholder is entitled to receive one Right for each Unit held. Four (4) Rights entitle the holder to subscribe for one Unit at the Subscription Price.
Maximum Issue Size:	1,800,049 Units
Maximum Gross Proceeds:	\$1,296,035, before deductions of expenses of the Offering.
Estimated Expenses of Offering:	\$100,000
Additional Subscription Privilege:	Each holder of a Rights Certificate who exercises all of the Rights evidenced by such certificate may subscribe for additional Units, if any, not taken up on the Expiry Date. See " <i>Description of Rights- Additional Subscription Privilege</i> ".
No Minimum Issue Size:	The Offering is not subject to any minimum subscription level. Any proceeds raised will be released to the Trust for its use.
Use of Proceeds:	The gross proceeds of the Offering will be used to reduce indebtedness under its credit facility and for general corporate purposes. See " <i>Use of Proceeds</i> ".

For Unitholders with addresses in any of the provinces and territories of Canada (each a “**Qualified Jurisdiction**” and together the “**Qualified Jurisdictions**”) and any other jurisdiction in which the Offering can lawfully be made, transferable Rights Certificates evidencing the Rights they are entitled to accompany this Rights Offering Circular. In the case of Unitholders with addresses outside of the Qualified Jurisdictions and unregistered unitholders, reference is made to the instructions under “*Ineligible Unitholders*”. Rights Certificates will not be issued by the Trust to Ineligible Unitholders.

The Units of the Trust are listed for trading on the Toronto Stock Exchange (the “**TSX**”). The Rights will be listed on the TSX. The TSX has approved the listing of the Units issuable on exercise of the Rights. The Rights will be posted for trading until 10:00 a.m. (Calgary time) on the Expiry Date.

A subscriber may subscribe for Units by completing and signing Form 1 of the Rights Certificate and forwarding the Subscription Price for each Unit subscribed for to CIBC Mellon Trust Company (the “**Subscription Agent**”), all in accordance with the instructions on Form 1. A Subscriber wishing to subscribe for additional Units under the Additional Subscription Privilege must complete and sign Form 2 of the Rights Certificate prior to the Expiry Date, along with payment for the additional Units requested. Any excess funds will be returned by mail, without interest or deduction.

If a Unitholder wishes to retain its current percentage ownership in the Trust (subject to changes occurring as a result of the private placement described herein) and assuming that all Rights are exercised, it should purchase all of the Units for which it may subscribe pursuant to the Rights delivered under the Offering. If that Unitholder does not do so and other holders of Rights exercise any of their Rights, that Unitholder’s current percentage ownership in the Trust will be diluted by the issue of Units under this Offering.

There are risks associated with an investment in Units, including risks associated with the Trust’s subsidiariness’ involvement in the oilfield waste management business.

CIBC Mellon Trust Company has been appointed as the Subscription Agent to receive subscriptions and payments and to transfer Rights under this Offering. The Subscription Agent is also the registrar and transfer agent for the Units.

The return on an investment in the Trust is not comparable to the return on an investment in a fixed-income security. The recovery of an initial investment in the Trust is at risk, and the anticipated return on such investment is based on many performance assumptions. Although the Trust has in the past made monthly distributions of its available cash to Unitholders, these cash distributions are not assured and are currently suspended. The ability of the Trust to make cash distributions and the actual amount distributed will be dependent upon several factors, including operating results and cash flow of Deepwell Energy Services LP (“**Deepwell LP**”), see “*Business of the Trust – Operating Subsidiaries*”, unanticipated liabilities, obligations under credit facilities and fluctuations in the working capital and capital expenditure requirements of Deepwell LP. Pursuant to the Gibsons Subscription Agreement (as defined herein) the Trust has agreed to use its commercially reasonable best efforts to convert to a public corporation as soon as is reasonably practicable upon closing of the Private Placement (as defined herein) which will impact any future distributions. No stability rating for the Units has been applied for or obtained from any rating agency. **It is important for a Unitholder to consider the particular risk factors that may affect Deepwell LP and the Trust and, therefore, the stability of the distributions that the Unitholder receives. See “Risk Factors - Uncertainty of Cash Distributions”.**

Unlike interest payments on an interest-bearing security, distributions by income trusts on trust units (including those of the Trust) are, for Canadian income tax purposes, composed of different types of payments (portions of which may be fully or partially taxable or may constitute non-taxable “returns of capital”). The composition for tax purposes of those cash distributions may change over time, thus affecting the after-tax return to Unitholders. Therefore, a Unitholder’s rate of return over a defined period

may not be comparable to the rate of return on a fixed-income security that provides a return on capital over the same period. This is because a Unitholder may receive distributions that constitute a return of capital (rather than a return on capital) to some extent during the relevant period.

Pursuant to amendments to the *Income Tax Act* (Canada) (the “**Tax Act**”) made effective on October 31, 2006 (the “**SIFT Rules**”, which, for greater certainty, include all proposed amendments to said rules publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof on the assumption that such proposed amendments will be executed substantially in the form proposed), a trust that is resident in Canada for purposes of the Tax Act, that holds one or more non-portfolio properties (as defined in the Tax Act), and the units of which are listed on a stock exchange or other public market (a “**SIFT trust**”), generally will be subject to tax at the prevailing federal corporate income tax rate plus the applicable provincial SIFT tax rate (as defined in the Tax Act), on certain of its income, generally being its non-portfolio earnings (as defined in the Tax Act). For purposes of the Tax Act, distributions of such income to unitholders that are resident in Canada generally should be treated as eligible dividends paid by a taxable Canadian corporation.

In general terms, a trust that existed on October 31, 2006, and that otherwise would have been a SIFT trust at that time if the SIFT Rules had been in force at that time, should not be a SIFT trust until the earlier of January 1, 2011 or the first day after December 15, 2006 that the trust exceeds “normal growth”, as determined by reference to guidelines first issued on December 15, 2006 by the Minister of Finance (Canada) and amended effective December 4, 2008 (the “**Guidelines**”). The Guidelines generally provide that a trust should not be considered to exceed “normal growth” if the trust does not issue new equity (including convertible debentures or other equity substitutes) that exceeds the greater of \$50 million per year or certain specified “safe harbour” amounts based on the market capitalization of the trust on October 31, 2006. Based on the Guidelines, management of the Trust does not anticipate that the Trust will become a SIFT trust until January 1, 2011, however, no assurances can be provided that the Trust will not become a SIFT trust prior to January 1, 2011. The SIFT Rules (including the Guidelines) may adversely effect the marketability of the Trust Units and the ability of the Trust to undertake financings and acquisitions.

On March 12, 2009 specific proposals to amend the Tax Act that are intended to facilitate the conversion of mutual fund trusts (as defined in the Tax Act) into corporations (the “**SIFT Conversion Rules**”) on a, generally, tax-deferred basis were enacted. These transition rules are only available to trusts that convert to corporations prior to January 1, 2013.

Subject to the application of the SIFT Rules to the Trust, which management of the Trust does not expect to apply to the Trust until 2011, and until the time that the Trust converts to a publicly traded corporation, returns on capital generally are taxed as ordinary income, dividends or taxable capital gains in the hands of a Unitholder, while returns of capital generally are non-taxable to a Unitholder who is resident in Canada for purposes of the Tax Act (but reduce a Unitholder’s adjusted cost base in the Unit for Canadian income tax purposes). Unitholders are advised to consult their own tax advisors with respect to the implications of the distinction discussed above in their own circumstances.

STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides Unitholders with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, if there is a misrepresentation in a circular or notice that is required to be delivered to those Unitholders. However, such rights must be exercised within the prescribed time limits. Unitholders should refer to the applicable provisions of securities legislation of the province of their residence for particulars of those rights, or consult with a lawyer.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Rights Offering Circular contains forward-looking statements. All statements other than statements of historical fact contained in this Rights Offering Circular that address activities, events or developments that we expect or anticipate may occur in the future constitute forward-looking statements, including, without limitation, statements regarding the Trust's future financial position, business strategy, proposed acquisitions, budgets, project costs and plans and objectives of management for future operations. Many of these statements can be identified by looking for words such as "believe," "expects," "will," "intends," "projects," "anticipates," "estimates," "continues" or similar words or the negative thereof. These forward-looking statements include statements with respect to the entering into of a subscription agreement with Gibsons, the completion of the Private Placement as set forth under the heading "*Business of the Trust – Recent Events – Private Placement*" and the conversion of the Trust to a Corporation. The Trust cannot assure you that the plans, intentions or expectations upon which these forward-looking statements are based will occur. These forward-looking statements are subject to risks, uncertainties and assumptions, including that the private placement pursuant to the Gibsons Subscription Agreement and the subscription agreements with certain major unitholders of the Trust all as described under the heading "*Business of the Trust – Recent Events – Private Placement*" may not be completed, as well as those risks discussed elsewhere in this Rights Offering Circular. Although the Trust believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that these expectations will prove to be correct. There are risks which could effect the Trust's future results and could cause the results to differ materially from those expressed in these forward looking statements including: the impact of general economic conditions in Canada; industry conditions, including fluctuations in the price of oil and natural gas; the impact of governmental regulation, including environmental regulation; stock market volatility; the need to obtain required approvals from regulatory authorities and the uncertainty inherent in attracting capital.

Any such forward-looking statements are expressly qualified in their entirety by this cautionary statement. Moreover, the Trust does not assume responsibility for the accuracy or completeness of such forward-looking statements. The forward-looking statements included in this Rights Offering Circular are made as of the date of this Rights Offering Circular and the Trust undertakes no obligation to publicly update or revise forward-looking statements other than as required by applicable laws. You should not place undue reliance on forward-looking statements.

AS A RESULT OF THESE FACTORS, THE OFFERING IS ONLY SUITABLE FOR THOSE INVESTORS WHO ARE WILLING TO RELY ON MANAGEMENT OF THE TRUST AND WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT IN THE UNITS.

DESCRIPTION OF RIGHTS

Each Unitholder is entitled to one Right for each Unit held on the Record Date. Rights are evidenced by the Rights Certificates that accompanied this Rights Offering Circular. Each Unitholder who is a resident of a Qualified Jurisdiction, or is a resident in a jurisdiction wherein this Offering is lawful, will receive a Rights Certificate evidencing the total number of Rights to which the holder is entitled. Rights Certificates may not be held directly by, and subscriptions for securities will not be accepted from, Unitholders whose address of record is in a jurisdiction wherein this Offering is unlawful. Four (4) Rights together with the payment of the Subscription Price of \$0.72 entitles the holder thereof to purchase one Unit.

Basic Subscription Right

Four (4) Rights plus \$0.72 entitles the holder thereof to purchase one Unit. The Rights may be exercised at any time prior to the Expiry Time on the Expiry Date. The Subscription Price payable on the exercise of the Rights is payable in Canadian funds by certified cheque, bank draft or money order payable to or to the order of the Subscription Agent or such other form of payment as is acceptable to the Trust and the Subscription Agent.

Fractional Units will not be issued upon the exercise of Rights. Holders of Rights holding a number of Rights not evenly divisible by four (4) will not be entitled to round up their subscription to the next whole number of Units. See "*Description of Rights – Fractional Units*".

Expiry Date and Time

The Rights will expire at the Expiry Time on the Expiry Date. Rights not exercised prior to the Expiry Time on the Expiry Date will be void and of no value.

Additional Subscription Privilege

Any holder of Rights who exercises the right (the "**Basic Subscription Right**") to subscribe for all the Units that can be subscribed for with such Rights has the privilege (the "**Additional Subscription Privilege**") of subscribing for additional Units at the original Subscription Price on a pro rata basis with all other holders of Rights who exercised their rights to subscribe for all Units that could be subscribed for with their Rights. The number of Units available for such purpose (the "**Additional Units**") will be those Units that have not been subscribed and paid for at or prior to the expiration of the Rights pursuant to the Basic Subscription Right.

To exercise the Additional Subscription Privilege, any holder of a Rights Certificate who completes Form 1 for the maximum number of Units that can be subscribed for with the number of Rights evidenced by that Rights Certificate must also, prior to the Expiry Date, complete Form 2 and specify the number of Additional Units desired to be subscribed for. **The completion of Form 2 constitutes a binding commitment to subscribe for the number of Additional Units specified. The aggregate Subscription Price for the Additional Units must accompany the Rights Certificate when it is delivered to the Subscription Agent, and is payable in Canadian funds by certified cheque, bank draft or money order payable to the order of "CIBC Mellon Trust Company".**

Funds for the Additional Units will be placed in a segregated non-interest bearing account pending allocation of the Additional Units in the manner contemplated herein, and any funds in excess of the Subscription Price of the Additional Units so allocated will be returned by mail without interest or deduction. If there are sufficient Additional Units to satisfy all subscriptions by holders of Rights who

subscribe under the Additional Subscription Privilege, each such holder of Rights will be allotted the number of Additional Units for which he or she has subscribed.

If the aggregate number of Additional Units subscribed for by all holders of Rights who exercise the Additional Subscription Privilege exceeds the number of Additional Units available, each holder of Rights who exercises the Additional Subscription Privilege will be entitled to receive the number of Additional Units that is the lesser of:

- (a) the number of Additional Units subscribed for by the holder under the Additional Subscription Privilege; and
- (b) the product (disregarding fractions) of the aggregate number of Additional Units available through unexercised Rights, multiplied by a fraction, of which the numerator is the number of Rights exercised by the holder under the Basic Subscription Right, and of which the denominator is the aggregate number of Rights exercised under the Basic Subscription Right by all holders of Rights who exercise the Additional Subscription Privilege.

If any holder of Rights has subscribed for fewer Additional Units than the number resulting from the application of the formula in (b) above, the excess Additional Units will be allocated in the manner described above among the holders of Rights who were allocated fewer Additional Units than they subscribed for.

As soon as practicable after the Expiry Date, the Subscription Agent will send to each holder of Rights who has exercised the Additional Subscription Privilege a certificate evidencing the number of Additional Units allocated to such holder and will return to such holder any excess funds paid, without interest or deduction.

Gross Proceeds

The Offering is not subject to receipt of any minimum gross proceeds. Assuming that all of the Rights are exercised, the gross proceeds to the Trust will be approximately \$1,296,035.

Eligible Unitholders

This Offering is made to all Unitholders whose last address as shown on the unitholders' register of the Trust is in a Qualified Jurisdiction or in any other jurisdiction in which this Offering is lawful. See "*Ineligible Unitholders*".

Fractional Units

Fractional Units will not be issued upon the exercise of Rights. Holders of Rights holding a number of Rights not evenly divisible by four (4) will not be entitled to round up their subscription to the next whole number of Units.

Dilution to Existing Unitholders

If a Unitholder wishes to retain its current percentage ownership in the Trust (subject to changes occurring as a result of the private placement described herein) and assuming that all Rights are exercised, it should purchase all of the Units for which it may subscribe pursuant to the Rights delivered under the Offering. If that Unitholder does not do so and other holders of Rights exercise any of their Rights, that

Unitholder's current percentage ownership in the Trust will be diluted by the issue of Units under this Offering.

REGISTRATION AND DELIVERY OF UNIT CERTIFICATES

Certificates for the Units subscribed for in accordance with this Offering will be mailed to the address of the subscriber as stated on its Rights Certificate, unless otherwise directed, as soon as practicable following the Expiry Date. Certificates for Units will not be mailed to addresses outside of the Qualified Jurisdictions, except as described under "Ineligible Unitholders".

SUBSCRIPTION AND TRANSFER AGENT

CIBC Mellon Trust Company, the Trust's transfer agent, has been appointed the Subscription Agent by the Trust to perform various services relating to the exercise of Rights, including receiving subscriptions for Units and payment of the Subscription Price from Rights Certificate holders and issuing certificates for the Units subscribed for. The Trust will pay the fees and expenses of the Subscription Agent.

The Subscription Agent will accept subscriptions for Units and payment of the Subscription Price from holders of Rights only at the offices of the Subscription Agent set out below:

By Mail:

CIBC Mellon Trust Company
P.O. Box 1036
Adelaide Street Postal Station
Toronto, Ontario M5C 2K4

Attention: Corporate Restructures

By Hand or by Courier:

CIBC Mellon Trust Company
199 Bay St Commerce Court W.
Securities Level
Toronto, Ontario M5L 1G9

Attention: Corporate Restructures

HOW TO USE THE RIGHTS CERTIFICATE

By completing the appropriate form on the Rights Certificate in accordance with the instructions in this Rights Offering Circular and on the back of the Rights Certificate, a holder of Rights may:

- (a) Purchase Units pursuant to the exercise of the Basic Subscription Right (Form 1). See "*How to Subscribe for Units*".
- (b) Purchase Additional Units pursuant to the Additional Subscription Privilege (Form 2). See "*Description of Rights - Additional Subscription Privilege*".
- (c) Sell or transfer Rights (Form 3). See "*Sale or Transfer of Rights*".

- (d) Divide or combine Rights Certificates (Form 4). See “*Dividing or Combining Rights Certificates*”.

HOW TO SUBSCRIBE FOR UNITS

1. **Basic Subscription Right.** Complete and sign Form 1 of the Rights Certificate in accordance with the instructions thereon if you wish to exercise, in whole or in part, the Basic Subscription Right. To determine the number of Units which may be subscribed for pursuant to the Basic Subscription Right, divide the number of Rights set forth on the face of the Rights Certificate by four (4) Subscriptions may be for whole Units only. Fractional Units will not be issued. See “*Description of Rights – Fractional Units*”.
2. **Additional Subscription Privilege.** Complete and sign Form 2 of the Rights Certificate in accordance with the instructions thereon only if you wish to participate in the Additional Subscription Privilege. In order to participate in the Additional Subscription Privilege, a holder of Rights must exercise the Basic Subscription Right in respect of all of its Rights in full. See “*Description of Rights – Additional Subscription Privilege*”.
3. **Payment of the Subscription Price.** Enclose payment of the Subscription Price of \$0.72 for each Unit subscribed for under the Basic Subscription Right and, if applicable, the Additional Subscription Privilege, by certified cheque, bank draft or money order in Canadian funds payable to the order of “CIBC Mellon Trust Company”. See “*Payment*”.
4. **Mail or deliver the completed Rights Certificate together with the full payment of the Subscription Price in sufficient time to reach the Subscription Agent at one of the subscription offices before 4:30 p.m. (Calgary time) on the Expiry Date.** If mail is used for delivery of the subscription, sufficient time must be allowed to avoid late delivery. The use of registered mail is suggested. **Rights Certificates and payments received after 4:30 p.m. (Calgary time) on the Expiry Date cannot be accepted.** See “*Subscription and Transfer Agent*” and “*Description of Rights-Expiry Date and Time*”.

A holder of Rights who exercises its Rights in accordance with the foregoing will receive, as soon as practicable after the Expiry Date, a unit certificate representing the Units so subscribed for, unless they are a participant in the Canadian Depository for Securities Limited book-based system. See “*Registration and Delivery of Unit Certificates*”.

If a holder of Rights is unsure how to subscribe, they should contact the Subscription Agent or the Trust. See “*Inquiries*”.

UNITS HELD THROUGH THE CANADIAN DEPOSITORY FOR SECURITIES LIMITED (“CDS”)

For unitholders (“**Beneficial Holders**”) whose Units are held through a CDS participant, Rights Certificates will be issued in registered form to CDS and will be deposited with CDS. The Trust expects that each Beneficial Holder will receive a confirmation of the number of Rights issued to it from its CDS participant in accordance with the practices and procedures of that CDS participant. CDS will be responsible for establishing and maintaining book-entry accounts for its participants holding Rights.

A Beneficial Holder may subscribe for Units by instructing the CDS participant holding its Rights to exercise all or a specified number of such Rights and forwarding the Subscription Price for each Unit

subscribed for in accordance with the terms of the Offering to the CDS participant which holds the subscriber's Rights.

The Subscription Price is payable by direct debit from the Beneficial Holder's brokerage account or by electronic funds transfer or other payment mechanism satisfactory to the CDS participant. The entire Subscription Price for Units subscribed for must be paid at the time of subscription and must be received by CIBC Mellon Trust Company prior to the Expiry Time on the Expiry Date. Accordingly, if you are subscribing through a CDS participant, you must deliver your payment (by method described above) and instructions to the CDS participant sufficiently in advance of the Expiry Time on the Expiry Date to allow the CDS participant to properly exercise the Rights on your behalf.

CDS participants that hold Rights for more than one Beneficial Holder may, upon providing evidence satisfactory to the Trust and CIBC Mellon Trust Company, exercise Rights on behalf of its accounts on the same basis as if the Beneficial Holders were Unitholders.

Neither the Trust nor the Subscription Agent will have any liability for (i) the records maintained by CDS or CDS participants relating to the Rights or the book-entry accounts maintained by CDS, (ii) maintaining, supervising or reviewing any records relating to such Rights, (iii) any advice or representation made or given by CDS or CDS participants with respect to the rules and regulations of CDS, (iv) any action to be taken by CDS or CDS participants, or (v) any failure by CDS participants to take any action or any matter relating to the Rights or the exercise thereof.

The ability of a person having an interest in Rights held through a CDS participant to pledge such interest or otherwise take action with respect to such interest (other than through a CDS participant) may be limited due to the lack of a physical Rights Certificate.

Beneficial Holders whose Units are held through a CDS participant must arrange purchases or transfers of Rights and the exercise of Rights to purchase Units through CDS participants. The Trust anticipates that each such purchaser of a Right or Units will receive a customer confirmation of purchase from the CDS participant from whom such Right or Unit is purchased in accordance with the practices and procedures of such CDS participant.

Except as otherwise specifically provided herein (see "*Ineligible Unitholders*"), payment of the Subscription Price will constitute a representation to the Trust, the Subscription Agent and to any CDS participant that the subscriber is not a U.S. person (as defined in Regulation S under the United States Securities Act of 1933, as amended, (the "1933 Act")) or the agent of any U.S. person and is not purchasing the Units for the account or benefit of, or for the resale to, any U.S. Person.

If mail is used for delivery of subscription funds, for the protection of the subscriber, certified mail return receipt requested, should be used and sufficient time should be allowed to avoid the risk of late delivery.

Subscriptions for Units made in connection with this Offering either directly or through a CDS participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for Units once submitted.

SALE OR TRANSFER OF RIGHTS

The TSX has granted approval for the Rights and the Units issuable on exercise of the Rights to be listed on the TSX. It is anticipated that they will be posted for trading (and the Units will trade on an ex-Rights basis) from the second trading day preceding the Record Date until 10:00 a.m. (Calgary time) on the

Expiry Date. Holders of Rights who do not wish to exercise their Rights may sell or transfer their Rights in Canada through the usual investment channels, such as investment dealers and brokers, at the holder's expense. Holders of Rights may elect to exercise only a part of their Rights and sell the remainder.

To transfer the Rights, complete Form 3 on the Rights Certificate and have the signature guaranteed by a Canadian Schedule 1 chartered bank, a member of the Securities Transfer Agents Medallion Program (STAMP), a member of the Stock Exchange Medallion Program (SEMP) or a member of the New York Stock Exchange Inc. Medallion Signature Program (MSP) or otherwise guaranteed to the satisfaction of the Subscription Agent. It is not necessary for a transferee to obtain a new Rights Certificate to exercise the Basic Subscription Right or the Additional Subscription Privilege, but the signature of the transferee on any one or more of the Forms must correspond in every particular with the name of the transferee shown on Form 3. If Form 3 is properly completed, then the Trust and the Subscription Agent will treat the transferee (or the bearer if no transferee is specified) as the absolute owner of the Rights Certificate for all purposes and will not be affected by any notice to the contrary.

Restrictions will apply to the ability of residents outside of the Qualified Jurisdictions (including residents of the United States of America) to receive and therefore to sell or transfer their Rights. See "*Ineligible Unitholders*".

DIVIDING OR COMBINING RIGHTS CERTIFICATES

Rights Certificates may be divided or combined by completing Form 4 and delivering such Rights Certificates to the Subscription Agent at the Subscription Office listed under "*Subscription and Transfer Agent*". This should be done in time for the new Rights Certificate(s) to be issued and used before the Expiry Date. Rights Certificates need not be endorsed if the new Rights Certificate(s) is issued in the same name.

VALIDITY AND REJECTION OF SUBSCRIPTIONS

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any subscription will be determined by the Trust in its sole discretion, whose determination shall be final and binding. All subscriptions are irrevocable. The Trust reserves the absolute right to reject any subscription if such subscription is not in proper form or if the acceptance thereof or the issuance of Units pursuant thereto could be deemed unlawful. The Trust also reserves the right to waive any defect with regard to any particular subscription. Neither the Trust nor the Subscription Agent will be under any duty to give any notification of any defect or irregularity in such subscriptions nor shall either of them incur any liability for failure to give such notification.

EXPIRY DATE AND TIME

The Rights expire at the Expiry Time on the Expiry Date.

To subscribe for Units, a duly completed Rights Certificate and payment in full of the Subscription Price must be received at one of the offices of the Subscription Agent listed under "*Subscription and Transfer Agent*" by the Expiry Time on the Expiry Date.

Rights not exercised by 4:30 p.m. (Calgary time) on December 18, 2009 will be void and of no value.

PAYMENT

The Subscription Price is payable in Canadian funds by certified cheque, bank draft or money order payable to the order of "CIBC Mellon Trust Company".

The entire Subscription Price for all Units subscribed for, including Additional Units subscribed for under the Additional Subscription Privilege, must be paid at the time of exercise of the Rights.

SIGNATURES

When any form on the Rights Certificate is signed by the holder of the Rights Certificate, the signature must correspond in every particular with the name of the holder as it appears on the face of the Rights Certificate. If a form is signed by a trustee, executor, administrator, curator, guardian, attorney, officer of a corporation or any other person acting in a fiduciary or representative capacity, the Rights Certificate should be accompanied by evidence of authority satisfactory to the Subscription Agent and the signature guaranteed by a Canadian Schedule 1 chartered bank, a member of the Securities Transfer Agents Medallion Program (STAMP), a member of the Stock Exchange Medallion Program (SEMP) or a member of the New York Stock Exchange Inc. Medallion Signature Program (MSP) or otherwise guaranteed to the satisfaction of the Subscription Agent.

INELIGIBLE UNITHOLDERS

This Rights Offering Circular constitutes an offering of securities of the Trust only in the Qualified Jurisdictions. This Offering is not being made in the United States. Consequently, the Rights and the Units issuable on exercise of the Rights have not been and will not be registered under the United States *Securities Act of 1933*, as amended, or under any state securities laws. Accordingly, the Rights and Units are not being offered to persons in or whose addresses of record are in the United States or any territory or possession thereof or any other jurisdiction outside of the Qualified Jurisdictions. Subject to the exception described below, neither the Trust nor the Subscription Agent will accept subscriptions from any Unitholder or from any transferee of Rights who is in or appears to be, or who the Subscription Agent has reason to believe is, a resident of the United States or any territory or possession thereof or of any jurisdiction outside of the Qualified Jurisdictions ("**Ineligible Unitholders**").

Notwithstanding the foregoing, Ineligible Unitholders who establish to the satisfaction of the Trust that the receipt by them of the Rights and the issuance to them of the Units upon the exercise of the Rights will not be in violation of the laws of their jurisdiction of residence or other applicable jurisdiction will be allowed to exercise the Rights.

Rights Certificates will not be issued and delivered by the Trust to Ineligible Unitholders. Unitholders will be presumed to be resident in the place of their registered address, unless the contrary is shown to the satisfaction of the Trust. The Rights Certificates which would have been issued to Ineligible Unitholders will be issued to and held by the Subscription Agent as agent for the benefit of Ineligible Unitholders. The Subscription Agent will hold the Rights until December 9, 2009 (nine days before the Expiry Date) in order to give Ineligible Unitholders, at their expense, an opportunity to prove to the satisfaction of the Trust that they are residents of a Qualified Jurisdiction or that the receipt by them of the Rights and the issuance of the Units to them pursuant to the exercise of Rights will not be in violation of the laws of the applicable jurisdiction, without imposing any requirement on the Trust to comply with legal requirements of the applicable jurisdiction other than those being complied with for the offering of Rights in the Qualified Jurisdictions, or if management of the Trust, in its own discretion, agrees to meet the legal requirements of the applicable jurisdiction. Following such date, the Subscription Agent, for the account of Ineligible Unitholders, will, prior to the Expiry Date, attempt to sell the Rights allocable to such

Ineligible Unitholders and evidenced by Rights Certificates in the possession of the Subscription Agent on such date or dates and at such price or prices as the Subscription Agent shall determine in its sole discretion. Neither the Trust nor the Subscription Agent will be subject to any liability for the failure to sell any Rights of Ineligible Unitholders or as a result of the sale of any Rights at a particular price or on a particular day.

No charge will be made for the sale of such Rights by the Subscription Agent except for a proportionate unit of any brokerage commissions incurred by the Subscription Agent and the costs of, or incurred by, the Subscription Agent in connection with the sale of the Rights. Ineligible Unitholders will not be entitled to instruct the Subscription Agent in respect of the price or the time at which the Rights are to be sold. The Subscription Agent will endeavour to effect sales of Rights on the open market and any proceeds received by the Subscription Agent with respect to the sale of Rights net of brokerage fees and costs incurred and, if applicable, of the Canadian tax required to be withheld, will be divided on a pro rata basis among such Ineligible Unitholders and delivered by mailing cheques (in Canadian funds) of the Subscription Agent therefor as soon as practicable to such Ineligible Unitholders at their addresses recorded on the books of the Trust. Amounts of less than \$10.00 will not be remitted. Such amount will be forwarded to the Trust to be used by the Trust to set-off a portion of the remuneration of the Subscription Agent for its services hereunder. The Subscription Agent will act in its capacity as agent of the holders of Rights on a best efforts basis only and the Trust and the Subscription Agent do not accept responsibility for the price obtained on the sale of, or the inability to sell, the Rights on behalf of any Ineligible Unitholder. **There is a risk that the proceeds received from the sale of Rights will not exceed the costs of, or incurred by, the Subscription Agent in connection with the sale of such Rights and, if applicable, the Canadian tax required to be withheld. In such event, no proceeds will be forwarded to the Ineligible Unitholders.**

Holders of Rights who are Ineligible Unitholders should be aware that the acquisition and disposition of Rights or Units may have tax consequences in the jurisdiction where they reside and in Canada which are not described herein. Such Ineligible Unitholders are advised to consult their own tax advisor with respect to the implication of the acquisition and disposition of Rights and Units.

DELIVERY OF RIGHTS BY INTERMEDIARIES

Except as described under "*Ineligible Unitholders*", rights delivered to brokers, dealers or other intermediaries may not be delivered by such intermediaries to Beneficial Holders unless they are resident in the Qualified Jurisdictions. Subject to the exceptions set out under "*Ineligible Unitholders*", intermediaries receiving Rights which would otherwise be deliverable to non-residents of the Qualified Jurisdictions should attempt to sell such Rights for the accounts of such residents of ineligible jurisdictions and should deliver any proceeds of sale to such residents.

BUSINESS OF THE TRUST

General

The Trust is in the business of acquiring, investing in, holding, transferring, disposing of and otherwise dealing with securities of any corporation, partnership, trust or other person or assets involved, directly or indirectly, in any business which involves, or is ancillary or complementary to, the provision of oilfield waste management services to the oil and gas industry in Canada.

Operating Subsidiaries

Deepwell Energy Services Commercial Trust

Deepwell Energy Services Commercial Trust (“**Commercial Trust**”) is an investment trust established under the laws of Alberta pursuant to a declaration of trust dated April 21, 2006. The Commercial Trust’s activities are restricted to directly or indirectly acquiring and holding securities of Deepwell LP and such other investments as Deepwell Energy Services Ltd. (the “**Administrator**”) or the trustees of Commercial Trust may determine and to borrow funds and issue debt securities for such purposes, directly or indirectly.

Deepwell LP

Deepwell LP is a limited partnership established under and governed by the laws of the Province of Alberta on April 21, 2006 to complete the acquisition of certain business assets (the “**Producers Disposal Business**”) of Producers Disposal Services Ltd. (“**PDS**”) and Rycroft Disposal Well Inc. (“**Rycroft**”) and for the purposes of acquiring, investing in, holding, transferring, disposing of and otherwise dealing with securities of any corporation, partnership, trust or other person or assets involved, directly or indirectly, in any business which involves, or is ancillary or complementary to, the provision of oilfield waste management services to the oil and gas industry in Canada, as well as to make such other investments as the board of directors may determine, from time to time, and to borrow funds and issue debt securities, directly or indirectly, for that purpose and enter into hedging arrangements in relation thereto.

Deepwell LP owns all of the business assets and undertaking of PDS and Rycroft. The general partner of Deepwell LP is the Administrator.

Deepwell Energy Services Ltd.

Deepwell Energy Services Ltd. (“**Former Deepwell**”) was incorporated as a private company under the *Business Corporations Act* (Alberta) (“**ABCA**”) on April 21, 2006. On April 27, 2006, Former Deepwell acquired all of the shares of Deepwell Disposal Services Inc. (“**Deepwell Disposal**”). Former Deepwell then completed an amalgamation with Deepwell Disposal pursuant to the ABCA on April 27, 2006 to form the Administrator. Deepwell Disposal was incorporated under the ABCA on May 12, 2004.

The head office of the Administrator is located at Suite 1250, 736 6th Avenue, S.W., Calgary, Alberta, T2P 2Y3. The registered office of the Administrator is located at Suite 1500, 407 2nd Street S.W., Calgary, Alberta, T2P 2Y3.

The Administrator is a wholly-owned subsidiary of the Trust and is not a reporting issuer in any jurisdiction. The Administrator is the administrator of the Trust and the Commercial Trust, as well as the general partner of Deepwell LP.

Palko Energy Ltd.

On September 25, 2008, Former Deepwell acquired a 50% joint interest in Palko Energy Ltd. (“**Palko**”), based out of Midale, Saskatchewan for net cash consideration of \$3,978,265. Palko currently operates one facility, which provides treatment, processing and disposing of oilfield waste for customers in southeastern Saskatchewan. The operating results of Palko are proportionately consolidated effective with the closing date of the transaction.

Recent Events

Private Placement

Background

On August 17, 2009, the Trust announced a \$7.0 million financing (the “**Financing**”) to include: (i) a private placement (the “**Private Placement**”) comprised of an investment by Gibson Energy ULC (“**Gibsons**”) and subscriptions by several of the Trust’s existing Unitholders; and (ii) a \$1.29 million rights offering for all existing Unitholders.

Since December 31, 2008, the Trust has been in default of certain covenants under its arrangement with its bank (the “**Bank**”). Pursuant to an amended and restated loan amending agreement effective August 24, 2009, the Bank agreed to amend such covenants on the condition that the Trust obtain equity financing in the amount of \$5,000,000 by October 30, 2009. The Bank subsequently extended such deadline to November 30, 2009. If the Trust does not complete the Private Placement described herein, it will be unable to comply with its agreement with the Bank. Under such circumstances, unless the Bank waived its requirements Deepwell would have to consider alternative sources of financing and, if not available, would have to consider its alternatives with respect to financial restructuring.

Subsequent to the initial announcement, Gibsons purchased an aggregate of 1,386,306 Units of the Trust from two Unitholders. The financing terms of the Private Placement were amended such that Gibsons agreed to participate in the Private Placement to an aggregate amount of \$3.79 million (4,206,806 Units) and certain existing Unitholders were to subscribe for an aggregate amount of \$1.9 million (2,130,935 Units). As a result of the Units purchased from the two Unitholders, Gibsons will also have the opportunity to participate in the Offering to the extent of those holdings.

The Trust has entered into a subscription agreement (the “**Subscription Agreement**”) with Gibsons whereby Gibsons has agreed to subscribe for 4,206,806 Units (at \$0.90 per Unit for gross proceeds of \$3.79 million) out of 6,337,741 Units (\$5.7 million). Other existing Unitholders have committed to subscribe for 2,130,935 Units (\$1,917,841) representing greater than 10% of the current issued and outstanding capital of the Trust before the Private Placement. Funds raised from the Private Placement will be used to repay a portion of the Trust’s long-term debt and for general trust operating purposes. The terms of the Subscription Agreement include, among other conditions, that:

- (a) the Trust will obtain Unitholder approval to terminate its Unitholder rights plan prior to closing of the Private Placement;
- (b) before closing of the Private Placement or as soon as practicable after closing, the Trust shall reduce the number of trustees of the Trust to six and the Administrator will increase the number of directors on its board to either five or six;
- (c) until the date upon which Gibsons ceases to maintain a minimum 20% interest in the Trust, Deepwell will nominate a slate of trustees or directors of a successor corporation which includes two nominees of Gibsons and one nominee of GRM Investments Ltd. (“**GRM**”) (for so long as GRM maintains at least a 10% interest in Deepwell) and Gibsons will support Deepwell’s slate of trustees or directors of a successor corporation when such slate is placed before the unitholders (or shareholders of a successor corporation) of Deepwell; provided that Gibson’s obligation shall be for the sole purpose of ensuring such composition of the board of trustees of Deepwell (or the board of directors of a successor corporation) and provided further that Gibsons shall be entitled,

acting reasonably, to object to any proposed trustee (or director of a successor corporation) not satisfactory to it;

- (d) for so long as Gibsons maintains a minimum 20% interest in the Trust or any successor corporation: (i) the number of directors of the Administrator will be set at five or six; (ii) Gibsons will have the right to participate in any subsequent private placement, at the same price as the other participants in the private placement, to the extent necessary to maintain their percentage interest in the Trust; (iii) any private placement which would result in any new investor acquiring ownership or control of greater than 10% of the issued and outstanding securities will require unanimous approval of the board of trustees; (iv) Gibsons shall have the right to choose a qualified senior officer to be appointed to the executive of the Trust or the Administrator; and (v) certain material decisions regarding the business will require the approval of at least four out of five or five out of six directors of the Administrator; and
- (e) the Trust will use its commercially reasonable efforts to proceed with conversion to a public corporation as soon as is reasonably practicable.

Unitholder approval of the Private Placement is required pursuant to the TSX Company Manual on the basis that:

- (i) the Trust will be issuing more than 10% of its issued and outstanding Units to insiders of the Trust;

The following table describes the holdings of the insiders of the Trust who are subscribing under the Private Placement before and after the Private Placement.

Placee's Name	Current Holdings of Units		No. of Units Purchased		Holdings after Private Placement	
	No. of Units	% of Issued and Outstanding ⁽¹⁾	No. of Units	% of Issued and Outstanding ⁽¹⁾	No. of Units	% of Issued and Outstanding ⁽²⁾
Gibson Energy ULC	1,386,306	19.25%	4,206,806	58.43%	5,593,112	41.31%
GRM Investments Ltd.	1,297,600	18.02%	1,096,085	15.22%	2,393,685	17.68%
Simmons Financial Holdings Corporation	507,833	7.05%	428,968	5.96%	936,801	6.92%
Al Kroontje	104,111	1.45%	87,943	1.22%	192,054	1.42%
Total	3,295,850	45.8%	5,819,802	80.83%	9,115,652	67.33%

Notes:

- (i) Based on the 7,200,198 total current issued and outstanding Units of the Trust.
- (ii) Based on the 13,537,939 issued and outstanding Units following completion of the Private Placement being the aggregate of 6,337,741 Units to be issued pursuant to the Private Placement and the 7,200,198 Units currently issued and outstanding.
- (ii) the Trust will be issuing more than 25% of its issued and outstanding Units at a 4.26% discount to Market Price (as defined in the TSX Company Manual); and
- (iii) The issuance to Gibsons will materially affect control of the Trust. As described above, Gibsons has agreed to subscribe for 4,206,806 Units, constituting approximately 31% of the issued and outstanding Units of the Trust after the Private Placement. As Gibsons currently holds 1,386,306 Units, upon

completion of the Private Placement they will hold 41.31% of the issued and outstanding Units. In addition, for so long as Gibsons maintains at least a 20% interest in the Trust or any successor corporation they will be entitled to nominate 2 trustees to the board of trustees and 2 directors to the board of directors of the Administrator. As noted, certain material decisions regarding the business of the Trust or its subsidiaries will require the approval of at least 4 or 5 directors of the Administrator.

Accordingly, the Trust has provided notice to Unitholders of a Unitholder Meeting to be held on November 26, 2009 seeking approval for, among other things, the Private Placement and the Rights Plan Termination. Assuming the Private Placement is approved by Unitholders, closing of the Private Placement will occur no later than November 30, 2009. However, there can be no assurance that the Private Placement will be completed by that date, if at all.

Gibsons currently holds 1,386,306 Units and so will be eligible to participate in the Rights Offering described below. On the assumption that all insiders of Deepwell and Manvest Inc. (an 8.52% holder) fully subscribe and exercise their additional subscription privilege, which they have indicated they intend to do, the following table sets out Gibsons' holdings in Deepwell after the Private Placement and the Offering in the event that 0%, 33% or 100%, respectively of rights held by Unitholders (“**Public Holders**”) other than subscribers under the Private Placement are exercised.

Resulting Gibson % Ownership in Deepwell		
Public Takeup in Rights Offering	No Public Participation in Additional Subscription Privilege	Public Participation in Additional Subscription Privilege
0%	40.63%	40.63%
33%	40.00%	39.72%
100%	38.73%	38.73%

DESCRIPTION OF UNITS

An unlimited number of Units may be issued pursuant to the Declaration of Trust. Each Unit is voting, transferable and represents an equal undivided beneficial interest in any distribution from the Trust whether of net income, net realized capital gains (other than net realized capital gains distributed to redeeming Unitholders) or other amounts and in the net assets of the Trust in the event of a termination or winding-up of the Trust.

Units are redeemable at any time on demand by the holders thereof upon delivery to the Trust of a duly completed and properly executed notice requesting redemption in a form approved by the Trustees. As the Units are issued in book-entry form, a Unitholder who wishes to exercise the redemption right is required to obtain a redemption notice form from the Unitholder's investment dealer. Upon receipt by the Trust of notice to redeem, all rights to and under the Units tendered for redemption shall (subject to the following) be surrendered and the holder thereof will be entitled to receive the Redemption Price, equal to a price per Unit equal to the lesser of: (i) 90% of the market price of the Units on the principal stock exchange on which the Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) during the period of the last 10 trading days during which the Units traded on such stock exchange or market ending immediately prior to the date on which the Units were tendered for redemption; and (ii) 100% of the closing market price of the Units on the date on which the Units were tendered for redemption on the principal stock exchange on which Units are listed (or, if Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading).

If a cash redemption is not available for Units tendered for redemption by a Unitholder, then such Unitholder will, instead of the Redemption Price per Unit, be entitled to receive a price per Unit (the “**in specie Redemption Price**”) equal to the fair market value of a Unit as determined by the Trustee in its sole discretion. The in specie Redemption Price will, subject to all necessary regulatory approvals, be paid and satisfied: (i) by the Trust distributing Commercial Trust notes, or other assets held by the Trust (other than Commercial Trust units), as determined in the sole discretion of the Trustee; (ii) by the Trust issuing notes (“**Redemption Notes**”) having such commercially reasonable terms as the Trust may prescribe; or (iii) by any combination of Commercial Trust notes, or other assets held by the Trust and Redemption Notes.

PRINCIPAL UNITHOLDERS AND CHANGES OF OWNERSHIP

The following table sets forth the particulars, as of the date hereof, with respect to those persons who, to the knowledge of management of the Administrator, beneficially own, directly or indirectly, or exercise control or direction over, more than 10% of the Units as of the date hereof:

Name	Type of Ownership	Number of Units	Percentage of Common Units Outstanding
GRM Investments Ltd.	Direct	1,297,600	18.02%
Gibson Energy ULC	Direct	1,386,306	19.25%

Other than the transfers to Gibsons described above, see “*Recent Events - Private Placement - Background*”, there have been no issuances or, to the knowledge of the trustees of the Trust, transfers of Units that have materially affected the control of the Trust since December 31, 2008.

MANAGING DEALER AND SOLICITING DEALER

There is no managing dealer or soliciting dealer for the Offering.

INTENTION OF INSIDERS TO EXERCISE RIGHTS

The Trust, after reasonable inquiry, believes that GRM, Simmons Financial Holdings Corporation, Al J. Kroontje and Gibsons intend to exercise all of the Rights attributable to their individual direct or indirect unitholdings. Mr. Kroontje is a trustee of the Trust. Jay Simmons, the Chairman and Chief Executive Officer of the Administrator and a trustee of the Trust owns and controls Simmons Financial Holdings Corporation.

In addition to the insiders described above, the Trust, after reasonable inquiry, believes that one other major Unitholders, Manvest Inc. intends to exercise all of the Rights attributable to its direct or indirect unitholdings. William P. Robinson, a trustee of the Trust, is the President of Manvest Inc.

The total number of Rights which will be issued to all such persons (directly or indirectly) is approximately 3,909,012 Rights (approximately 54.3%), which would entitle them to acquire approximately 977,253 Units.

USE OF PROCEEDS

The maximum gross proceeds of this Offering are estimated to be \$1,296,035 and the maximum net proceeds will be approximately \$1,196,035, after deducting expenses of the Offering estimated at \$100,000, assuming the maximum number of Rights are exercised.

The Trust intends to use the proceeds of the Offering and a portion of the proceeds of the Private Placement, aggregating \$5,000,000, to pay down the outstanding revolving term loan described below. As the proceeds of the Private Placement alone will be sufficient to satisfy the requirement to raise \$5,000,000 of equity described below, there is no minimum requirement under the Offering. However, there can be no assurance that the Private Placement will be completed. The aggregate proceeds of the Offering and the Private Placement not used to pay down the outstanding revolving term loan will be used to fund day to day operations, including repairs and maintenance to existing facilities and for other general corporate purposes. No demand has been made for repayment of the \$700,000 of outstanding drawings under the demand loan and it is not presently contemplated that this amount will be repaid at this time.

The following amended terms of the credit facility between the Trust and its principal banker have been agreed to:

(a) **Demand Loan**

\$2,000,000 facility limit at June 30, 2009 and December 31, 2008
Outstanding drawings at June 30, 2009 \$700,000 (December 31, 2008 - \$50,000)

The demand loan facility bears interest at prime rate plus 4% with unused amounts subject to standby fees of 1.5%. Deepwell is subject to financial covenants of:

- (i) maintaining a minimum working capital ratio of 1.25:1;

Working Capital is defined as follows:

Current assets (cash, accounts receivables, inventory and prepaids)

divided by:

Current liabilities (operating loans, overdrafts, accounts payable, accrued liabilities but specifically excluding the current portion of long term debt and leases, amounts reclassified due to covenant breach, and any CAPEX accounts payable to the extent they are approved and within the facility limit).

- (ii) a maximum of a 20% negative variance in actual to forecasted earnings before interest, income taxes, depreciation and amortization (“**EBITDA**”); and

- (iii) less than a \$1,500,000 negative variance in actual equity to forecasted equity.

The Trust was in compliance with these covenants as at June 30, 2009.

(b) **Extendible revolving term loan**

The Trust has a three year extendible revolving term loan to May 31, 2010. At this time, a payment of \$1,500,000 is required on May 31, 2010. If the loan is not extended by the bank for an additional 364 day period, the balance of the loan shall be amortized over two years and repaid in full by May 31, 2012.

The facility loan authorization is limited to \$20,148,032 plus up to an additional \$1,007,000 to fund non-discretionary capital expenditures and bears interest at the lender’s prime rate plus 4% with any unused amounts subject to standby fees. The

proposed agreement includes a requirement to raise \$5,000,000 in equity on or before November 30, 2009. This facility must be reduced by the \$5,000,000 in additional funding to be raised.

Annual principal repayments required over the term of this loan are as follows:

2009	\$	5,000,000
2010		4,816,696
2011		5,685,765
2012		<u>2,369,069</u>
	\$	<u>17,871,530</u>

As security for the credit facilities, Deepwell LP granted the lender a security interest over all of its assets. In addition, the Trust and its subsidiaries guaranteed the indebtedness of Deepwell LP under the credit facilities with such guarantee being secured by all of the assets of each such guarantor. In respect of any proceeds resulting from the enforcement of the credit facilities or the above-mentioned guarantees, the lenders will have a prior ranking claim relative to the unitholders. Additionally, the shares of Palko held by the Administrator are pledged as security under the credit facilities.

There may be circumstances where for sound business reasons, a reallocation of funds may be necessary. Actual use of the net proceeds will vary depending on the Trust's operation and capital needs from time to time and will be subject to the discretion of management.

STATEMENT AS TO RESALE RESTRICTIONS

Securities legislation restricts the ability of a holder to trade the Rights and the Units issuable upon the exercise of such Rights (collectively, the "**Securities**"), without certain conditions having been fulfilled or applicable prospectus requirements having been complied with. The following is a general summary of the restrictions governing the first trades in the Securities. Additional restrictions apply to "insiders" of the Trust and holders of the Securities who are "control persons" or the equivalent or who are deemed to be part of what is commonly referred to as a "control block" in respect of the Trust for purposes of securities legislation. **Each holder of Rights is urged to consult his or her professional advisors to determine the exact conditions and restrictions applicable to trades of the Securities.**

Generally, in Canada, the first trade of any of the Securities will be exempt from the prospectus requirements of securities legislation in the Qualified Jurisdictions if:

- (a) the Trust is and has been a "reporting issuer" in a jurisdiction of Canada for the four months immediately preceding the trade;
- (b) the trade is not a "control distribution" as defined in the applicable securities legislation;
- (c) no unusual effort is made to prepare the market or to create a demand for the Securities;
- (d) no extraordinary commission or other consideration is paid in respect of such trade; and
- (e) if the seller is an insider or officer of the Trust, the seller has no reasonable grounds to believe that the Trust is in default of applicable securities legislation.

If such conditions have not been met, then the Securities may not be resold except pursuant to a prospectus or prospectus exemption, which may only be available in limited circumstances.

The Trust has been a reporting issuer for more than twelve months in all of the provinces and territories of Canada.

The foregoing is a summary only and is not intended to be exhaustive. Holders of Rights should consult with their advisors concerning restrictions on resale, and should not resell their Securities until they have determined that any such resale is in compliance with the requirements of applicable legislation.

CONTINUOUS DISCLOSURE AND WEBSITE

Continuous disclosure documents about the Trust may be obtained on the website for the System for Electronic Document Analysis and Retrieval (“**SEDAR**”), which is found at www.sedar.com and on the Trust’s website at www.deepwellenergy.com.

INQUIRIES

Inquiries relating to this Rights Offering Circular should be addressed to:

DEEPWELL ENERGY SERVICES TRUST

Attention: Jay Simmons
Telephone: (403) 508-6001
Facsimile: (403) 508-6045
Email: jsimmons@deepwellenergy.com