ENSIGN
ENERGY SERVICES INC.

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June 28, 2007

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Nova Scotia Securities Commission
New Brunswick Securities Commission
Office of the Attorney General, Prince Edward Island
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Government of Yukon
Registrar of Securities, Department of Justice, Government of the Northwest Territories
Legal Registries Division, Department of Justice, Government of Nunavut

Ontario Securities Commission (OSC)
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8
Attention: John Stevenson, Secretary

Autorité des marchés financiers
Tour de la Bourse
800, square Victoria
C.P. 246, 22e étage
Montréal Québec, H4Z 1G3
Attention: Anne-Marie Beaudoin, Directrice du secrétariat

Dear Ladies and Gentlemen:

Please find attached Ensign Energy Services Inc.'s response to the proposed repeal and replacement of Multilateral Instrument 52-109, Forms 52-109F1, 52-109FT1, 52-109F2 and 52-109FT2 ("Proposed Instrument") and Companion Policy 52-109CP "Certification of Disclosure in Issuers' Annual and Interim Filings ("Proposed Policy"). Our comments are provided for your consideration and if required we would be pleased to provide clarification. We have also enclosed a diskette containing our submission as asked for in your Request for Comments.

About Ensign Energy Services Inc.

Ensign Energy Services Inc. ("Ensign") is an international oilfield services contractor, headquartered in Calgary, Alberta. Ensign currently operates in eleven countries across five continents. Ensign has a market capitalisation of approximately $3 billion, and its common shares are publicly traded through the facilities of the Toronto Stock Exchange (symbol: ESI).

Summary

1. Ensign is supportive of the general spirit of the Proposed Instrument and Proposed Policy

Ensign recognises the CSA's efforts to develop an appropriate set of regulations that reflect the needs of the Canadian marketplace. Ensign is supportive of the recommended approach of a top down risk-based model with the control environment as the foundation to provide reasonable assurance to our shareholders in respect of Ensign's internal controls over financial reporting ("ICFR"). We believe this approach will improve the efficiency of required documentation and focus the extent of testing on matters that are material to our ICFR and of importance to Ensign's shareholders.

2. Ensign is concerned with differences between the rules and guidance in the United States and the CSA's Proposed Instrument and Proposed Policy

We are concerned several conceptual differences between the United States SOX404 legislation and the Canadian rules exist. Whilst the CSA will provide an exemption and accept a SOX404 certification in lieu of a MI52-109 certification, the United States does not presently extend the same courtesy to Canadian cross-filers under Form 20-F or Form 40-F. This may restrict our company's future ability to enter or otherwise access the United States public market. Canadian companies are put at a disadvantage of having to potentially comply with two different sets of regulations and rules. The CSA should attain the SEC's acceptance of the MI52-109 certifications, or as Canadians, we risk having our rules and regulations viewed as inferior or inadequate.

Specific Requests for Comments

1. Do you agree with the definition of "reportable deficiency" and the proposed related disclosures? If not, why not and how would you modify it?

No. We disagree with both the definition of "reportable deficiency" and with the proposed related disclosures related to "reportable deficiencies".

- The definitions and guidance related to "reportable deficiencies" appears to be inconsistent between the Proposed Instrument [Part 1(1.1)] and the Proposed Policy, and inconsistent within the Proposed Policy itself [Part 8.1(3) versus Part 8.1(4)]. In our opinion, the CSA should address the inconsistency in the definition of "reportable deficiency" within the Proposed Policy. We believe the component-centric definition provided in Part 8.1(4) of the Proposed Policy is more appropriate and relevant to the concept of a reportable deficiency under a top-down, risk-based methodology.

- We do not support the inclusion of "strong indicators of a reportable deficiency" in Part 8.3 of the Proposed Policy. Section 8.3 should be removed in its entirety from the Proposed Policy. Selecting these few factors and attaching to them a strong presumption of deficiency of a company's ICFR is inconsistent with the application of judgment and prevents the consideration of context:
    - the list comes from codified external audit literature, not management's viewpoint;
    - the United States has prescriptive external audit requirements with the presumption management must undertake the same approach as no rules or guidance existed for management to follow – Canada has done the opposite and written guidance and rules for management, not the external auditors;
    - management in the United States cannot provide anything to the external auditor until they have fully executed all the related ICFR in respect of the document – no such presumption or requirement exists in Canada;
    - it is inappropriate for management to assess or otherwise evaluate the Audit Committee's oversight of management – in the United States the external auditors must perform this assessment, and can do so due to their independence;

- material misstatements are often determined with the benefit of hindsight or may arise from the misinterpretation or inappropriate application of complex accounting standards, in spite of the best efforts of management at the time of the transaction or related disclosure. Honest mistakes will happen in spite of appropriate and effective ICFR.

2. Do you agree that the ICFR design accommodation should be available to venture issuers? If not, please explain why you disagree.
This comment area has intentionally been left blank as it is not a concern to Ensign.

3. Do you agree that our proposal to provide a scope limitation in the design of DC&P and ICFR for an issuer's interest in a proportionately consolidated investment or variable interest entity is practical and appropriate? If not, please explain why you disagree.
Yes, we agree it is appropriate to allow for a scope limitation in the design of DC&P and ICFR in respect of an issuer's interest in a proportionately consolidated investment or variable interest entities ("VIE"). We disagree with certain aspects of the proposed required disclosures related to the scope limitation, and we are concerned with the potential misalignment with IFRS.

- It is unclear, under Part 10, Section 10.3(4) of the Proposed Policy, as to whether an issuer must provide summary financial information in the MD&A for each discrete entity covered by the scope limitation or in aggregate. It is possible that an issuer may have more than one proportionately consolidated entity or VIE but this situation has not been reflected in the requirements of the Proposed Policy.

- It is unclear if the continuous disclosure requirements of National Instrument 51-102F1 Part 1(p) and Part 2 Item 1.15 are applicable to the disclosures required under Part 10, Section 10.3(4) of the Proposed Policy. If applicable, more detail is required in the Proposed Policy as to the fiscal period to be covered by the comparative disclosures.

- Should the IASB decide to eliminate the proportionate consolidation method, significant changes in accounting treatment and financial statement presentation will arise, the consequences of which have not been contemplated or reflected within the Proposed Policy, Part 10, Sections 10.3(4) and 10.3(5).

4. Do you agree that our proposal to allow certifying officers to limit the scope of their design of DC&P or ICFR within 90-days of the acquisition of a business is practical and appropriate? If not, please explain why you disagree.
No, we strongly disagree with the proposed 90-day timeframe with respect to ICFR assessment and certification for acquisitions. The 90-day period is not a realistic timeframe for large global corporations such as Ensign to perform an adequate assessment over ICFR of the acquired business.

- Ensign has a history of capitalising upon strategic acquisition opportunities that add shareholder value. Securities rules with the primary intent of improving the quality of disclosure should not restrict or dictate how management runs the business on a daily basis or influence their strategic decisions. Canadian companies should not be placed at a competitive disadvantage in a global marketplace.

- The complexity of an acquisition cannot always be addressed within 90-days. Further to the items discussed in Part 11 Section 11.1, there are many more challenges that arise if the acquired company is foreign-based (i.e. language, culture, local laws and regulations, proximity). Knowledge, transition and integration of business processes, controls, IT systems, policies and procedures take a great deal of dedicated, properly trained resources and time. To embed reasonable accuracy, consistency and completeness into management's ICFR assessment process, 90-days is too restrictive – it would increase risk to the issuer and potentially promote circumvention of established controls and process to meet the deadline.

- Neither the Proposed Instrument nor the Proposed Policy defines the date at which a business acquisition occurs. It is unclear if the "date of acquisition" is intended to be the date the contract was signed, the closing date, the date of transfer of the assets to the acquirer, the date the acquirer can influence or alter the culture/controls/business processes of the acquired entity, the date the purchase price accounting is completed or if the date can be selected by the issuer based upon the unique circumstances of their business acquisition. A clear definition is desirable.

The 90-day timeframe in context of management's DC&P assessment and certification is reasonable and consistent with the United States. If the CSA is unwilling to bifurcate DC&P assessment from ICFR assessment (i.e. separate Forms or permitting modification to the Forms) within the Proposed Instrument, the CSA must extend management sufficient time to meet its ICFR obligations, which is the more time and labour intensive of the two activities. We request the CSA harmonize with United States SEC FAQ Question 3 (revised October 6, 2004) and extend the proposed 90-days to a one-year period in respect of ICFR assessment and certification.

5. Do you agree that our proposal not to require certifying officers to certify the design of ICFR within 90-days after an issuer has become a reporting issuer or following the completion of certain reverse takeover transactions is practical and appropriate? If not, please explain why you disagree.

Consistent with our comments in Question 4 above, we agree that the certifying officers should not be required to certify the design of ICFR immediately following an IPO or reverse take over. We recommend the CSA treat reverse takeover transactions in the same manner as business acquisitions and extend the proposed 90-days to a maximum one-year period. Additional definition is also required within the Proposed Policy in respect of what is the "date" to be used in the event of an IPO or reverse takeover.

6. Do you agree that the nature and extent of guidance provided in the Proposed Policy, particularly in Parts 6, 7 and 8, is appropriate? If not, please explain why and how it should be modified.

We have several suggestions for improvement to the nature and extent of the guidance. Our primary concerns are summarised below:

- Part 1(1.1) of the Proposed Instrument extends the definition of ICFR beyond the core concept of reliable external-use financial reporting in accordance with GAAP. We disagree with the inclusion and references to "unauthorised expenditures" and "unauthorised acquisition, use and disposition of assets" in MI52-109 and believe these aspects should be removed from the Proposed Instrument and Proposed Policy. Financial transactions can be properly accounted for irrespective of whether they were properly approved – the financial statements as a whole are not at risk of being materially misstated by virtue of an inappropriate person authorising an expenditure. Ensuring approvals are in accordance with financial authorities, and safeguarding our assets are stewardship concerns, not risks to reliable financial reporting.

- Item 7 of Form 52-109F1 requires the issuer to provide certain disclosures regarding material changes in ICFR in the period. The Proposed Policy does not provide any guidance as to what would likely be considered a change that would "materially affect" the issuers ICFR. We would like to see guidance on this matter should be added to the Proposed Policy to assist issuers in preparing adequate and useful disclosure and to increase consistency in this reporting requirement amongst issuers.

- Part 6.5(2) of the Proposed Policy makes several references to "risk". The guidance could be improved by clarifying and putting "risk" throughout the Proposed Policy in the clear context of the risk of material misstatements in the external-use financial statements.

- Part 6.6(3) of the Proposed Policy should be rewritten to limit the persons in scope of paragraph (c) to those persons related to ICFR, DC&P, the financial reporting process, executive management and others that a reasonable person would expect to be included in this group in the context of contributing to the risk of material misstatement in the external-use financial statements. The use of the phrase "all employees" is not practical. Ensign has over 7,800 employees worldwide, and many of our policies, procedures and manuals are operational in nature – these persons and internal documents should reasonably be excluded on the basis they do not give rise to financial reporting risk.

- I our opinion, Part 7.5 of the Proposed Policy appears to contain an error in logic. If management separately engages the external auditor to perform specified ICFR-related procedures, the certifying officers should be able to use the results of those procedures irrespective and without consideration of whether or not the external auditor uses those results as part of their statutory audit. The two engagements are mutually exclusive.

7. Are there any specific topics that we have not addressed in the Proposed Policy on which you believe guidance is required?

Yes. In our opinion there are several specific topics not addressed in the Proposed Policy for which we believe guidance from the CSA is required. Our primary concerns comprise:

- **Form 52-109F1, paragraph 6(b)**

  The Form requires that the MD&A should include "a description of the process [management] used to evaluate the effectiveness of ICFR". The CSA has not provided guidance in the Proposed policy detailing the minimum requirements for the disclosure of management's process for evaluating the effectiveness of ICFR. This guidance would assist issuers in preparing an adequate and useful disclosure and increase consistency amongst issuers.

- **Form 52-109F1 and Form 52-109F2 "as at" dating**

  Clarification is requested as to what exactly the "as at" date means in respect of management's assessment and management's certification. Our primary concerns are:

  - The majority of the critical financial reporting controls arise and are executed after the period-end date and up to and including the certification date. The certification wording should be amended to reference an assessment of ICFR "relevant to" the financial period being reported rather than "as at" a specific calendar date.
  - ICFR on a transactional basis are executed throughout the year or are event-driven in nature. The Proposed Instrument and Proposed Policy do not address whether a control that was working effectively throughout the year needs to be reassessed for effectiveness proximate to or on the "as at" date, or whether a period of time prior to that date would be acceptable (i.e. within 60 days prior to the reporting date).

- **Anti-fraud program and controls**

  The Proposed Instrument and Proposed Policy do not make reference to, or provide ample guidance in respect of anti-fraud measures in specific context of fraudulent financial reporting – "fraud" has been used in a general manner throughout the Proposed Policy that is broader than the scope and purpose of management's certifications. A clear definition of fraud accompanied by guidance for management on the nature and extent of work to be performed in the area of documentation and assessment of anti-fraud measures should be included in the Proposed Policy.

- **Issuer use of service organizations**

In many situations, an issuer relies upon a third party service provider to perform certain functions where the outsourced activity affects the initiation, authorization, recording, processing or reporting of transactions in the issuer's financial statements. Neither the Proposed Instrument nor the Proposed Policy contemplate or provide any guidance in respect of the use of service organizations, and how the use of a service organization would affect the evaluation procedures to be performed by management in its ICFR certification activities.

This has been an area of great confusion, concern, effort and expense in the United States with companies subject to SOX404 reporting. Some of the questions we would like to have addressed in the Proposed Policy include:

  - how management should conduct an assessment of the controls at its services providers?
  - how to assess the sufficiency and findings in SAS70 (or equivalent) reports if such reports are made available to management?
  - what management should do when the date of the SAS70 (or equivalent) report, or the period covered by the report, differs significantly from management's certification date?

- **Issuer use of an arms-length specialist**

  An issuer will often retain the services of an arms-length specialist to assess and report on matters that impact financial reporting, such as actuaries and the services of taxation specialists. In such cases, management incorporates or otherwise uses the specialist's findings in the issuer's business processes or financial reporting activities. The specialist usually retains his or her working papers, and only his or her findings are provided to management.

  Both Canadian and United States auditing standards (collectively, "GAAS") differentiate between an issuer/registrant outsourcing an activity/process versus using the services of a specialist. Management, in conducting its assessment and evaluation procedures of ICFR under the Proposed Instrument and Proposed Policy, should be allowed the same exemption extended to external auditors.

  We believe the Proposed Policy should include specific guidance, in the form of an accommodation to management, in respect of management's use of an expert or specialist. We recommend this guidance limit management's responsibilities in respect of ICFR in these situations to:

  - the exercising of due diligence in the selection of the expert or specialist;
  - the ICFR related to providing complete, accurate and timely information to the expert/specialist
  - the ICFR related to incorporating the expert/specialists results into the relevant business and financial reporting processes.

- **Misalignment of a risk-based approach with transactional-basis documentation**

  As an issuer with multinational operations, we believe the Proposed Policy should provide consistent guidance in respect of documenting and assessing risks and controls. In the early sections of Part 6, the top-down risk-based approach is discussed; however, in the later portions of Part 6, and throughout Parts 7 and 8, it appears that a bottom-up, control and process flow based approach is communicated as the CSA's expectation for documentation and testing. The provided guidance does not support a top-down, risk-based approach or address the concept of managing and assessing residual risk.

  In several parts of the Proposed Policy, reference is made to end-to-end, transactional process flow information. We believe this level of detailed documentation is not required for all significant accounts or significant classes of transactions if we execute an effective top-down risk-based approach to our ICFR assessment. As a multinational company, we believe that Ensign has certain ICFR at the head office or regional head offices that are sufficient in design and operation to adequately address and manage many of the material risks to reliable financial reporting irrespective of the underlying transaction flow. We do

not believe detailed, transaction-based process documentation at all our operating locations for all our transaction streams is required to meet the objectives of MI52-109.

We would encourage the CSA to be consistent with its intent to permit management to implement and execute a top-down risk-based approach by removing or rephrasing all specific references to either documenting the full transaction flow of, or identifying controls at each of, the "initiate-authorise-record-process-report" stages. This would include, but is not limited to, Part 6.8(a) and Part 6.15(4)(b) of the Proposed Policy.

- **Management's evidence**
  The CSA should clarify and provide guidance in respect of management's evidence supporting their annual evaluation of the design and effectiveness of both DC&P and ICFR.

  The Proposed Policy does not state whether the evidence attained to reasonably support management's evaluation must be discrete and unique to each fiscal year being certified, or if a portion of management's comfort can be derived from:
  - their cumulative knowledge and experience of the processes and controls, in particular those processes and controls for which there have been no significant changes since their last evaluation; and/or
  - evaluation procedures performed on a rotational basis, in particular for those processes and controls assessed as lower-risk (i.e. payroll) or performed homogeneously in multiple locations (i.e. field offices)

  We request guidance be provided by the CSA in the Proposed Policy in respect of the level of reliance, if any, management may reasonably place upon its prior years' results in performing their current year evaluations.

- **Retention of management's documentation and evidence**
  Neither the Proposed Instrument nor the Proposed Policy state the appropriate period of time the CSA would expect management to retain its evidence supporting its interim and annual evaluations of design and effectiveness of either DC&P or ICFR. We request clear guidance be provided by the CSA in the Proposed Policy in respect of the period of time it would reasonably expect management to retain its documentation and evidence supporting its assessment.

  Neither the Proposed Instrument nor the Proposed Policy state the appropriate nature, extent and form of the documents the CSA would expect management to retain as its evidence supporting its interim and annual evaluations of design and effectiveness of ICFR. We would suggest clear guidance should be provided by the CSA in the Proposed Policy in respect of the nature, extent and form of any supporting documents to be retained by management.

- **Impact of IFRS on Future Certifications**
  IFRS requires additional disclosures not presently required or contemplated under Canadian GAAP. There is an inherent risk that the CICA's IFRS convergence plans may not address all of these differences adequately. It should be noted that several of these "additional disclosures" which form part of the financial statements under IFRS, are more typically included at present in management's discussion and analysis ("MD&A") in Canada and not in the financial statements or notes thereto. The nature of these disclosures, if presently made by management in the MD&A, would only be subject to DC&P, not ICFR under the Proposed Instrument.

Certain of these IFRS disclosures, for example, IFRS 7, are problematic as they contain aspects of disclosure that would be considered forward-looking in nature or do not reconcile to information presented in the financial statements. Our concern is that because some of these disclosures must be made within the financial statements under IFRS, they will, once IFRS is applicable to Canadian public companies, be subject to ICFR assessment and evaluation under the Proposed Instrument and Proposed Policy, which may not be practical or even possible. We recommend an "except for..." clause be permitted for those instances when IFRS forces forward-looking or non-GAAP measures and analysis into the footnotes of the financial statements.

Final Comments

Compliance with Multilateral Instrument 52-109 is an extensive, on-going effort that involves the commitment of significant personnel and financial resources at Ensign. We are confident that Ensign will satisfy our compliance requirements related to Multilateral Instrument 52-109.

We believe there are several important issues remaining to be addressed in the Proposed Instrument and Proposed Policy and we believe there are several changes that need to be made to improve the quality, relevance and usefulness of the Proposed Instrument and Proposed Policy

We would ask the CSA to consider our comments before finalizing the Proposed Instrument and Proposed Policy. We thank you for the opportunity to provide our comments and recommended enhancements. Please contact us to discuss any questions arising from the content of this letter or to further discuss the basis for our opinions.

Sincerely,
ENSIGN ENERGY SERVICES INC.

Glenn Dagenais
Executive Vice President Finance
and Chief Financial Officer