

**FORM 27**

**MATERIAL CHANGE REPORT  
UNDER SECTION 118(1) OF THE *SECURITIES ACT* (ALBERTA)  
UNDER SECTION 85(1) OF THE *SECURITIES ACT* (BRITISH COLUMBIA)  
UNDER SECTION 84(1) OF THE *SECURITIES ACT* (SASKATCHEWAN)  
UNDER SECTION 75(2) OF THE *SECURITIES ACT* (ONTARIO)**

*NOTE: This form is intended as a guideline. A letter or other document may be used if the substantive requirements of this form are complied with.*

**Item 1. Reporting Issuer**

Tetonka Drilling Inc.  
160, 1209 - 59th Avenue S.E.  
Calgary, Alberta T2H 2P6

**Item 2. Date of Material Change**

January 31, 2000

**Item 3. Press Release**

January 31, 2000

The Press Release was disseminated by Canadian Newswire Limited on the national distribution list.

**Item 4. Summary of Material Change**

Pursuant to a share exchange merger agreement dated January 21, 2000 between Tetonka Drilling Inc. ("Tetonka"), H & R Drilling Inc. ("H&R") and the holders of outstanding shares of H&R, Tetonka issued 12,477,704 Common Shares and 3,910,785 non-voting convertible preferred shares to the former shareholders of H&R in exchange for all of the issued and outstanding shares of H&R (the "Share Exchange Merger"). Each convertible preferred share is convertible into one Common Share in certain circumstances. After completing the Share Exchange Merger, 45.2% of the outstanding Common Shares are owned by former shareholders of H&R and 54.8% of the outstanding Common Shares of H&R are owned by the pre-merger shareholders of Tetonka. Upon conversion of the convertible preferred shares (and assuming no other changes to the structure of Tetonka's outstanding share capital, 52% of the outstanding Common Shares will be owned by the former (pre-merger) shareholders of H&R and 48% of the outstanding Common Shares will be owned by the pre-merger shareholders of Tetonka.

**Item 5. Full Description of Material Change**

Pursuant to a share exchange merger agreement dated January 21, 2000 between Tetonka Drilling Inc. ("Tetonka"), H & R Drilling Inc. ("H&R") and the holders of outstanding shares of

H&R, Tetonka issued 12,477,704 Common Shares and 3,910,785 non-voting convertible preferred shares to the former shareholders of H&R in exchange for all of the issued and outstanding shares of H&R (the "Share Exchange Merger"). Each convertible preferred share is convertible into one Common Share in certain circumstances. After completing the Share Exchange Merger, 45.2% of the outstanding Common Shares are owned by former shareholders of H&R and 54.8% of the outstanding Common Shares of H&R are owned by the pre-merger shareholders of Tetonka. Upon conversion of the convertible preferred shares (and assuming no other changes to the structure of Tetonka's outstanding share capital, 52% of the outstanding Common Shares will be owned by the former (pre-merger) shareholders of H&R and 48% of the outstanding Common Shares will be owned by the pre-merger shareholders of Tetonka.

The combined organization of Tetonka and H&R (referred to as the "Merged Company") will continue to provide oilfield drilling services to customers in Canada, primarily within the Western Canadian Sedimentary Basin. The Merged Company's business will be conducted through the combined rig fleets of Tetonka and H&R, composed of 20 step-down, telescoping double drilling rigs, two trailer-mounted single drilling rigs and two triple drilling rigs. The design features of the Merged Company's fleet of rigs enable the rigs to be moved and assembled and to be used to drill wells faster than other rigs in the same class as the Merged Company's rigs. Of its 24 rig fleet, nine rigs are dedicated to particular customers of the Merged Company under term drilling services contracts for which rates and other variables are pre-established and whose terms range (since inception) between two years and four years in duration. The Merged Company's operating structure is intended to ensure that the term drilling services contracts remain intact. The Merged Company will also provide drilling services to other customers in the open market.

The Merged Company's drilling activities are currently organized into three (3) operational units. The Calgary head office manages the Merged Company's overall business operations and, at present, focuses on general corporate matters involving financing for rig construction, generation of business opportunities and the administrative functions of the Merged Company. The Leduc and Nisku field offices manage and oversee construction of the Merged Company's rigs, manage daily operation, staffing and maintenance of those rigs, and manage certain administrative functions of the Merged Company.

Upon completion of the Share Exchange Merger, Tetonka's board of directors consisted of six persons, being Elson J. McDougald, Daryl K. Seaman, Antonie Vandenbrink, John E. Hokanson, Allan Olson and John Geddes. Mr. John E. Hokanson was appointed as President and Chief Executive Officer of Tetonka in connection with the merger. The Merged Company currently has approximately 390 employees of which 22 serve in administrative, operational or executive capacities and 368 are employed in connection with the operation of its drilling rigs.

**Item 6. Reliance on confidentiality sections of the *Securities Acts***

Not applicable.

**Item 7. Senior Officers**

The name and business number of the senior officer of Tetonka Drilling Inc. who is knowledgeable about the material change and this report is:

John E. Hokanson - President and Chief Executive Officer  
Telephone: (780) 431-3327

**Item 8. Statement of Senior Officer**

The foregoing accurately discloses the material change referred to in this report.

**DATED** at the City of Calgary, in the Province of Alberta, this 10<sup>th</sup> day of February, 2000.

**TETONKA DRILLING INC.**

Per: "Gary Lobb"

**GARY L. LOBB**  
Vice-President, Finance

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