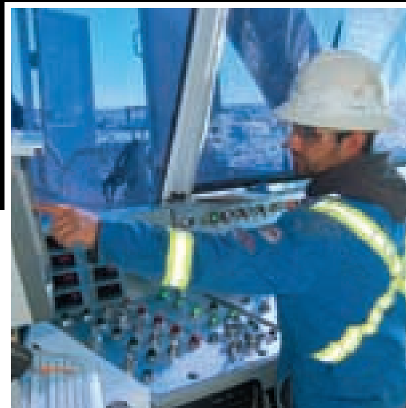
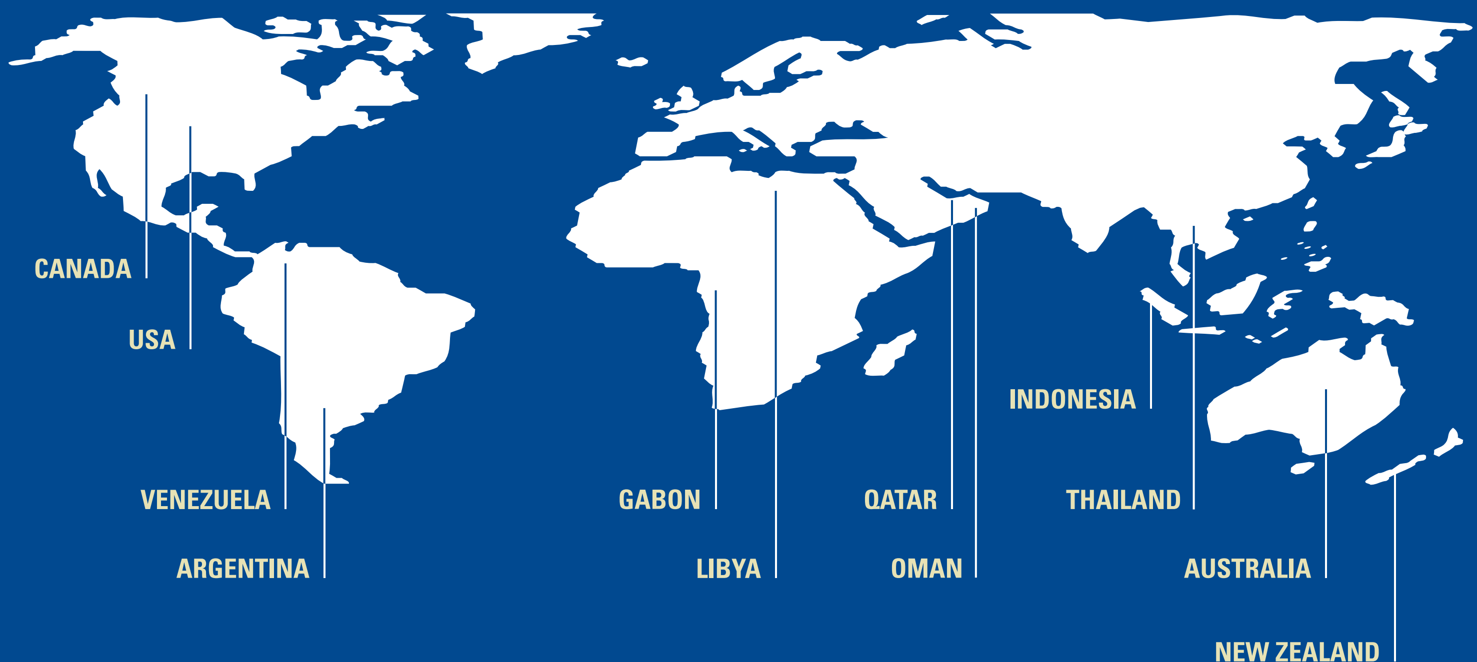
ENERGY SERVICES INC.



2007 ANNUAL REPORT

CORPORATE PROFILE

With headquarters in Calgary, Alberta, Ensign is an industry leader in the delivery of oilfield services. Since its inception in 1987, Ensign has accumulated an extensive equipment fleet characterized by flexibility and mobility for meeting the challenging demands of the oil and natural gas industry. We have also contributed to advancements in drilling and well servicing through the innovative use of technology, and have an established reputation for the highest safety standards and environmental stewardship. Ensign's shares are listed on the Toronto Stock Exchange under the trading symbol "ESI".



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TSX:ESI

HIGHLIGHTS

($ thousands, except per share data and operating information)

Years ended December 31	**2007**	2006	Change	% change
Revenue	**1,577,601**	1,807,230	(229,629)	(13)
EBITDA[1]	**468,178**	593,334	(125,156)	(21)
EBITDA per share [1]				
Basic	**$3.07**	$3.91	$(0.84)	(21)
Diluted	**$3.03**	$3.80	$(0.77)	(20)
Adjusted net income [1]	**244,966**	337,352	(92,386)	(27)
Adjusted net income per share [1]				
Basic	**$1.61**	$2.22	$(0.61)	(27)
Diluted	**$1.59**	$2.16	$(0.57)	(26)
Net income	**249,765**	341,284	(91,519)	(27)
Net income per share				
Basic	**$1.64**	$2.25	$(0.61)	(27)
Diluted	**$1.62**	$2.18	$(0.56)	(26)
Funds from operations [1]	**296,048**	420,173	(124,125)	(30)
Funds from operations per share [1]				
Basic	**$1.94**	$2.77	$(0.83)	(30)
Diluted	**$1.92**	$2.69	$(0.77)	(29)
Weighted average number of shares outstanding – basic (000s)	**152,517**	151,775	742	–
Weighted average number of shares outstanding – diluted (000s)	**154,306**	156,229	(1,923)	(1)
Drilling				
Number of marketed rigs				
Canada				
Conventional	**160**	164	(4)	(2)
Oil sands coring/coal bed methane	**31**	22	9	41
United States	**76**	64	12	19
International (includes workover rigs)	**49**	47	2	4
Operating days				
Canada	**24,046**	32,689	(8,643)	(26)
United States	**19,110**	18,252	858	5
International	**9,291**	9,151	140	2
Drilling rig utilization rate (%)				
Canada	**34.2**	49.3	(15.1)	(31)
United States	**74.1**	79.2	(5.1)	(6)
International	**52.6**	53.4	(0.8)	(2)
Well servicing				
Number of marketed rigs/units				
Canada	**116**	114	2	2
United States	**14**	11	3	27
Operating hours				
Canada	**168,313**	206,951	(38,638)	(19)
United States	**26,494**	21,383	5,111	24
Well servicing utilization rate (%)				
Canada	**40.4**	49.0	(8.6)	(18)
United States	**61.3**	67.5	(6.2)	(9)

1 EBITDA, EBITDA per share, adjusted net income, adjusted net income per share, funds from operations, and funds from operations per share are not measures that have any standardized meaning prescribed by Canadian generally accepted accounting principles, and accordingly, may not be comparable to similar measures used by other companies. Non-GAAP measures are defined on page 20 and 21.

OPERATING SUMMARY

Operating Divisions

DIVISION	CANADA	UNITED STATES	INTERNATIONAL
Contract Drilling	Ensign Drilling Partnership Ensign Canadian Drilling Champion Drilling Big Sky Drilling Encore Coring & Drilling	Ensign United States Drilling Inc. Ensign United States Drilling (California) Inc.	Ensign Energy Services International Limited Ensign de Venezuela C.A.
Underbalanced Drilling, Rental Equipment and Camps & Catering	Enhanced Petroleum Services Partnership Enhanced Drill Systems Chandel Equipment Rentals Cheechako Camps & Catering	Ensign United States Drilling Inc. Rocky Mountain Oilfield Rentals Ensign United States Drilling (California) Inc. West Coast Oilfield Rentals	
Well Servicing	Rockwell Servicing Partnership	Ensign Well Services Inc. Ensign United States Drilling (California) Inc.	Ensign Energy Services International Limited Ensign de Venezuela C.A.
Manufacturing and Production Services	Opsco Energy Industries Ltd.	Opsco Energy Industries (USA) Ltd.	
Transportation	Ensign Drilling Partnership Artisan Trucking	Ensign United States Drilling Inc. Jonah Trucking	

Contract Drilling

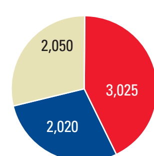
Rig Depth (metres)

	Total	ADR™	0-1,000	1,001-2000	2,001-3000	3,001-4000	4,001-5,000	5,001+
Canada [1]	191	30	35	39	49	35	3	–
United States	76	15	1	10	13	27	5	5
International [2]	49	3	–	4	5	19	8	10

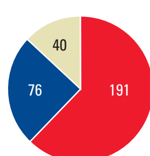
1 Includes oil sands coring/coal bed methane rigs
2 Includes workover rigs

Service Rig Classifications

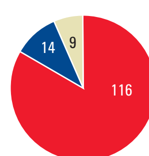
	Total	Coiled Tubing Units	Slant Single	Skid Single	Mobile Single	Mobile Double	Medium and Heavy Double
Canada	116	10	10	2	68	18	8
United States	14	–	–	–	–	–	14



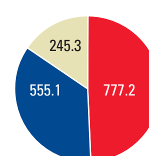
Employees



Drilling Rigs [1]



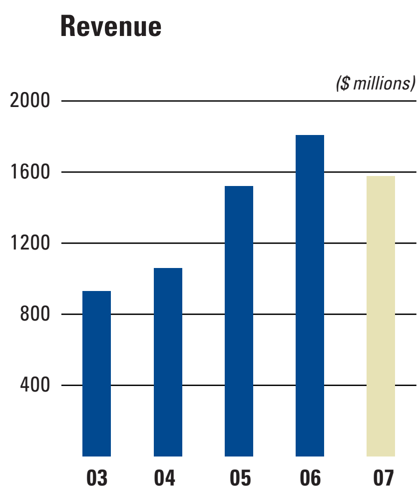
Service Rigs/ Workover Rigs/ Coiled Tubing Units

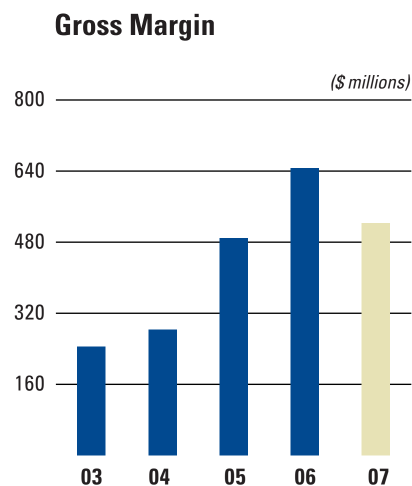


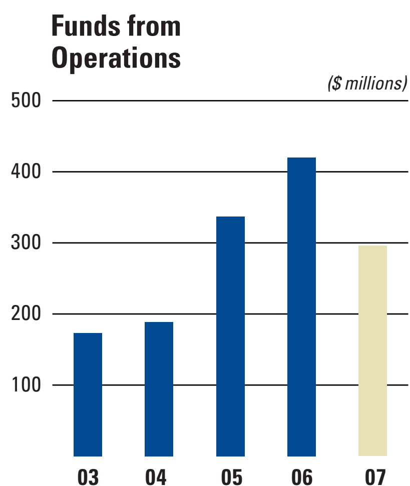
2007 Revenue
($ millions)

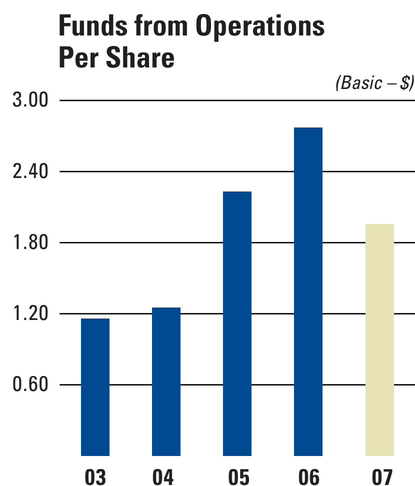
CANADA
UNITED STATES
INTERNATIONAL

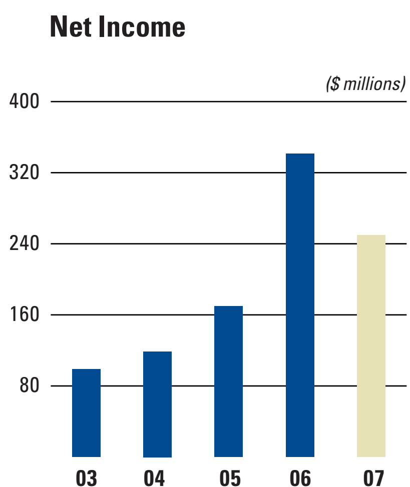
FINANCIAL PERFORMANCE

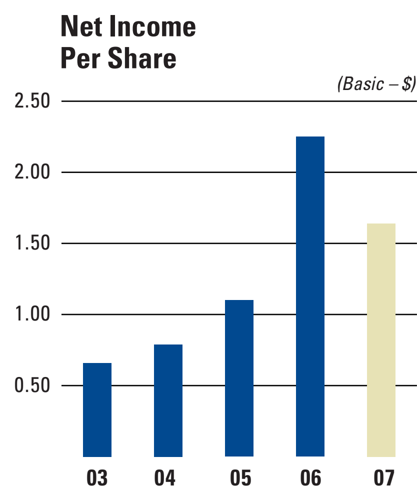












LETTER TO SHAREHOLDERS

"For the first time in Ensign's history, we generated over 50 percent of our revenue outside of Canada, which confirms the value of our long-standing strategy to diversify geographically."

Dear fellow shareholders,

Ensign's global reach is a strategic advantage for your company and we demonstrated this in 2007.

Our diverse geographical operations combined with strict financial discipline helped us achieve the second highest annual revenue in the Company's history despite numerous challenges in our core Canadian market.

Also, for the first time in Ensign's history, we generated over 50 percent of our revenue outside of Canada, which confirms the value of our long-standing strategy to diversify geographically, first to the United States starting over 10 years ago and then gradually internationally over the past five years to Australasia, the Middle East, Africa, and South America. We now operate in 12 countries on five continents.

Our local focus is equally important for us strategically. In Ensign's world, local focus means being positioned to respond quickly to positive or negative changes in each market as well as providing all our customers, wherever they are located, purpose-built oilfield services equipment when they need it and to the high standards they expect from us.

A good example of this is the great success we are having with our proprietary, highly versatile Automated Drill Rig ("ADR™"). In 2007, we successfully deployed 13 new purpose-built ADRs under long-term contracts in the United States; and we introduced our ADR™ technology to Australia, redeploying two ADRs from Canada under long-term contract. We currently have 48 ADRs in our global fleet, comprising 15 percent of our 316 drilling and workover rigs.

Ensign has one of the most modern, technologically-advanced and safest rig fleets in the world, and increasingly this is being recognized by our customers in all our geographical regions. Today, the majority of our drilling rig fleet is either new or has been completely refurbished in the last five years. This puts us in a strong position to be the contractor of choice for our customers. Our ADR™ program has expanded continuously since we introduced the ADR™-100 in 1995. We now offer a whole suite of ADRs — the 200, 250, 300, 350 and 500 models — and we are now designing the ADR™-750 in response to customer demand.

A Mixed Year

In 2007, our United States operations hit their stride and we saw steadily increasing business in our international divisions. However, we faced our largest challenge in Canada where the oilfield services market moved from a market characterized by high demand to one of over-supply. Our customers in the Western Canada Sedimentary Basin ("WCSB") faced multiple obstacles — including reduced natural gas prices and a strengthening Canadian dollar— that caused them to slow exploration and production activity. In addition, the Alberta government's proposed changes to the oil and natural gas royalty system added another layer of uncertainty to an already uncertain natural gas market in the province.

Company-wide, revenue in 2007 totaled $1,577.6 million, the second highest level of revenue in the Company's history, down 13 percent from the record $1,807.2 million in 2006. Canada accounted for 49 percent of the 2007 revenue total (2006 – 59 percent), while our United States and international operations combined accounted for 51 percent (2006 – 41 percent).

Net income declined 27 percent to $249.8 million ($1.64 per common share), the second highest level of net income in the Company's history, compared with $341.3 million ($2.25 per common share) in 2006. EBITDA declined $125.2 million to $468.2 million, compared with $593.3 million in 2006.

Gross margin was 33.2 percent in 2007, compared with 35.7 percent in 2006. In Canada, even though rig utilization declined, we were able to maintain margins for most of the year as contracts were completed and through careful management of discretionary spending.

Among our key performance indicators in 2007:

- Net income per common share was the second highest in the Company's history but was down 27 percent to $1.64, compared to the record $2.25 in 2006.
- Adjusted net income, which excludes the impact of stock-based compensation expense, declined 27 percent to $1.61 per common share.
- Funds from operations declined 30 percent to $1.94 per common share.
- Net capital expenditures totaled $272.0 million in 2007 and $325.5 million in 2006 as the Company continued to invest for the future.
- Return on average shareholders' equity was strong at 21.2 percent, although off the recent high of 36.3 percent in 2006.

In Canada, the softening in demand that had begun in the fourth quarter of 2006 due to lower natural gas commodity prices continued into 2007. Lower prices for this key commodity combined with a weakening United States dollar had a negative impact on customers' economics and hence their drilling programs. An early spring break-up and wet weather conditions in certain operating areas had a negative impact on both rig utilization and pricing in the first half of the year. This weakness persisted for the remainder of the year due to the aforementioned reasons. To offset the general weakness of the market, our Canadian divisions focused on improving efficiencies, cost control and expanding services to the conventional and unconventional oil sectors including the oil sands.

Our United States divisions posted strong results for the year, a reflection of Ensign's strategic market position in both the Rocky Mountain and California markets. A highlight was the deployment of 13 new ADRs, a success for our customers and for Ensign. The lower natural gas commodity prices have resulted in a softening of demand in certain areas of the United States market; however, the focus on unconventional plays appears, for the time being, to continue unabated.

Our international operations generated steadily improving results in 2007 as we concentrated on leveraging our existing operational bases and expanding selectively to new markets. We added rigs in Australia, constructed rigs for Oman and Libya, and we entered the Qatar market for the first time. International bidding activity continues to be very strong as would be expected given current levels of crude oil and liquefied natural gas prices. However, our enthusiasm remains tempered by the realities of the international market, as projects are often slow to be awarded and there can be significant down time between contracts. That said, we remain committed to realizing expected returns from this growth area for the Company.

Financial Strength

Your company is financially strong with solid free cash flow and no long-term debt. This puts us in an enviable position to weather market downturns. Most of the free cash flow we generated in 2007 either went into our rig build program, which makes us stronger for the future, or was paid out as dividends, which we increased during the year.

The Company's Board of Directors declared total dividends for the 2007 fiscal year of $0.3225 per common share, a 15 percent increase over the total dividends of $0.28 per common share declared for the 2006 fiscal year. Ensign has increased the cumulative amount of dividends declared in each fiscal year since the Company began paying a dividend in September 1995. Ensign was again recognized on Mergent's Canadian Dividend Achievers™ Select Index for increasing its dividend for at least the past five years. Ensign was one of only 50 Canadian publicly listed companies to meet this criterion out of the 3,300-plus North American companies monitored by Mergent Inc.

The five pillars of our strategy — diverse operations; financial discipline; opportunistic growth; commitment to safety; and customer focus — will continue to stand us in good stead going forward.

The Year Ahead

The benefits of our geographic diversification will continue to prove out in 2008 as Canada continues to struggle with over-supply and better growth opportunities materialize in the United States and international markets.

In the opening months of 2008, we were seeing continued weakness in Canada's oilfield services sector. Although downward pressure on pricing for oilfield services had diminished, we will continue to focus on cost discipline and the focused, strategic marketing of our services in our fundamentally strong Canadian base market.

Our two United States markets — the Rocky Mountains and California — were stable at the start of 2008. Two new pipelines are scheduled to come on line in the Rocky Mountain region in the first and fourth quarter of this year, which will further support activity in that region.

Internationally, we anticipate steady growth as we build from our well-established bases. Notably, more and more international exploration and production companies are moving into resource plays, a trend that could work to Ensign's advantage. One of our strengths is providing solutions and designing purpose-built equipment that address the needs of resource-play customers, as we demonstrated in 2007 with the deployment of the 13 ADRs in the United States. An important part of our future growth strategy is to continue to aggressively pursue long-term international contracts.

Opportunistic growth has been a hallmark of our success over the years and will continue to be. Times of market instability and uncertainty inevitably present interesting opportunities for strategic acquisitions and organic growth, and, at the moment, we believe both the Canadian and the United States markets fall into this category. We have the financial strength to grasp any opportunities that fit well with our well-defined business lines and markets.

Underlying everything we do is our Company-wide commitment to safety. Our safety performance in 2007 was very good with improvement in all areas. This is directly attributable to the commitment of our people and the impact of our HSE Management System and *Driving to Zero — Injuries and Incidents* program, through which we are establishing a consistent, international approach to continuously improving our health, safety and environment record across the Company and in every jurisdiction in which we operate.

Acknowledgments

We wish to thank our over 7,000 employees for their outstanding dedication and commitment. Everywhere in the world we operate, they enthusiastically addressed many challenges, working both hard and smart to provide our customers with the world-class oilfield services they have come to expect from us.

We also thank our fellow Board members for their guidance over the year. In particular, we wish to warmly thank Don Jewitt, who has retired from the Board having reached the mandatory retirement age set by the Company's Board of Directors. Don had been involved with Ensign from its earliest days and over the years has greatly contributed to the Company's success.

All of us are excited about Ensign's future. Today, we have all the right ingredients in place — the strategy, the people, the technology, the geographical and product and service diversification, the customer focus, the safety record and the financial strength — for continued success.

On behalf of the Board,

N. Murray Edwards
Chairman

Robert H. Geddes
President and Chief Operating Officer

March 17, 2008

HEALTH, SAFETY AND ENVIRONMENT

"To create a work place that protects worker health and safety with due respect for the environment." — from Ensign's Mission Statement

The health and safety of every one of our over 7,000 employees is of paramount importance to the Company. We back this up by continuously broadening and improving our company-wide health and safety programs.

Driving to Zero

Following the introduction in 2003 of our *Driving to Zero* vision, which aims for zero safety incidents, zero injuries, and zero days off work due to injury, we have seen continuous year-over-year improvement of our safety performance.

In 2007, we had one of our safest years yet. Across the Company, we saw a downturn in the number and severity of injuries and the amount of time lost due to injuries. Since 2003, we have seen a 48 percent reduction in total recordable incidents and a 41 percent reduction in injuries that resulted in workers losing time from work.

The *Driving to Zero* vision is now ingrained in our corporate culture. We view our *Driving to Zero — Injuries and Incidents* logo as part of our core identity and we include it in all our communication materials to reinforce the message.

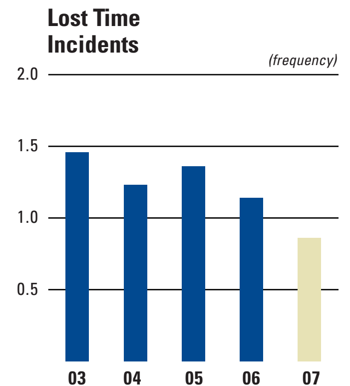
In 2007, we updated our *Driving to Zero* video for employees and posted it in the HS&E section of our public website at www.ensignenergy.com/safety/video_links.html.

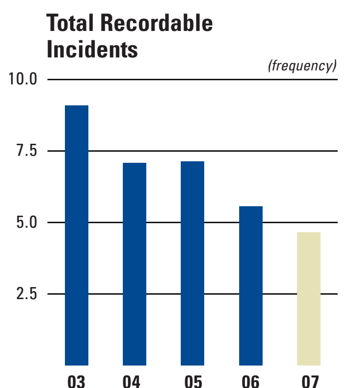
We see our *Driving to Zero* vision as a "decision to change" — change behavior and the way things are done to ensure safety is always at the forefront for every employee.

As a global oilfield services company, we expect our workers to make safety on the job and off the job an every-day priority.

For all employees, safety starts on the first day of employment with Ensign. To help reduce the risk of injury, each employee receives a general orientation followed by a site-specific orientation. Then, and on an ongoing basis, we conduct job safety analysis programs, personal injury prevention training, safety coaching, daily pre-job safety meetings, and daily work observation practices.

By following procedures, actively participating in training and safety meetings, and identifying and alerting management to potential hazards, every one of our employees can contribute to the overall success of the Company.





HSE Management System

The Health, Safety and Environment ("HSE") Management System we introduced in 2005 has established an international standard for the way we manage, practice, and monitor our HSE programs, and brings our safety programs under one, company-wide umbrella. The HSE Management System is comprised of seven interrelated elements, each with an underlying expectation of achieving continuous improvement and results:

1. Commitment and Leadership
2. Policies and Objectives
3. Organization, Resources and Documentation
4. Risk Evaluation and Management
5. Planning
6. Implementation, Recording and Monitoring
7. Audit and Review

In 2007, we updated the HSE Management System "blue book" that describes these seven elements and posted it on our public website at www.ensignenergy.com/pdf/esi_hse_handbook_nov07.pdf.

We audited our safety programs in our United States, Libya and Oman operations in 2007 and in 2008 we will audit our South American operations. Our audits include both a self-assessment and an assessment by an external third party. The external assessment examines our standards and processes and either validates them or advises us on where we need to make improvements, where we can standardize programs across the Company, or where we need to introduce country- or site-specific programs. Our action and improvement plans going forward will be based on the findings of these audits.

Through effective and transparent HSE management, Ensign aims to protect its employees, be the preferred contractor for customers and the favoured employer in the oilfield services sector, and lower its workers compensation costs. Our HSE Management System helps us achieve these by providing the framework and processes to look at risks to our employees, the public, our property, and the environment in which we operate and determine what actions we need to take to control those risks. For example, a major focus for us going forward will be raising awareness about driving safety, identifying workplace hazards, and risk management.

Our promise to our employees and shareholders and the wider public is that we will strive for continuous improvement in every area of our HSE efforts. That means continuous improvement of our standards, systems, programs, safety performance, management leadership, and employees' awareness, knowledge, commitment and involvement.

Ensign's Health, Safety and Environment Policy

Our goal is to protect our people, the public, our property, and the environment in which we work and live. It is a commitment that is in the best interests of our customers, our employees, and all other stakeholders.

It is possible to run all operations without injuries or damage to equipment or the environment:

- We will comply with all applicable laws and relevant industry standards of practice.
- We will continuously evaluate the HSE aspects of our equipment and services.
- We believe that effective HSE management is good business and we are committed to the continuous improvement of HSE management practices.
- From top management through to entry level, everyone is responsible and accountable for HSE.

We are committed to the integration of HSE objectives into our management systems at all levels. This will enhance our business success by reducing risk and adding value to our services.

Environmental Statement

Ensign actively works to reduce, reuse, recycle and reclaim materials used in our operations. As part of our efforts to innovate and develop new technologies, we strive to utilize environmentally friendly procedures and materials in providing our services. Any incidents are dealt with on a timely basis to ensure they are properly contained. This is a responsibility we take seriously and it is a responsibility to our children, grandchildren and to society in general. We are pleased to report that there have not been any serious environmental incidents in the Company's history.

OPERATIONS REVIEW

Global Reach. Local Focus.

Ensign's United States and international operations had a strong year in 2007. However, weaker natural gas prices for much of the year negatively impacted Canadian operations. In Canada, we focused on improving efficiency and expanding our footprint in growth markets such as the oil sands.

In the United States, we rolled out 13 new Automated Drill Rigs ("ADR™"), which have further strengthened our position in that market.

Internationally, we added rigs to Australia, constructed rigs for Libya and Oman, and expanded into Qatar.

Ensign has one of the most modern, technologically-advanced and safest rig fleets in the world, and increasingly this is being recognized by our customers in all our geographical regions.

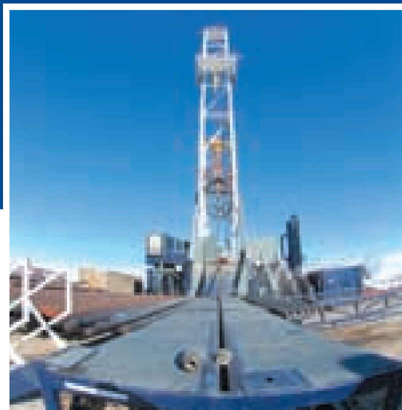
CANADA

Ensign is Canada's second largest land-based drilling contractor and fourth largest well servicing contractor.

We provide energy companies engaged in crude oil, natural gas and oil sands exploration and production with a wide range of oilfield services including land-based contract drilling, underbalanced drilling, oilfield rentals, camps and catering, well servicing, manufacturing, wireline, production testing and oilfield transportation.

Our geographical reach extends across the Western Canada Sedimentary Basin ("WCSB") – from southwest Manitoba, throughout Saskatchewan and Alberta to northeastern British Columbia, the Northwest Territories and the Yukon.

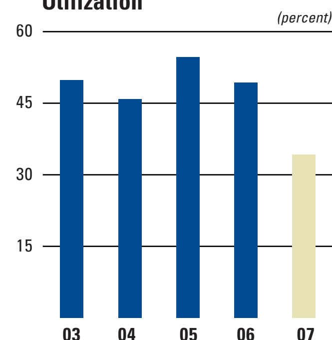
OPERATING DIVISIONS	CANADA	FLEET SIZE
Contract Drilling	Ensign Drilling Partnership	
	Ensign Canadian Drilling	89 drilling rigs
	Champion Drilling	41 drilling rigs
	Big Sky Drilling	23 drilling rigs
	Encore Coring & Drilling	38 coring/drilling rigs
Underbalanced Drilling,	Enhanced Petroleum Services Partnership	
Rental Equipment, and	Enhanced Drill Systems	18 underbalanced drilling packages
Camps & Catering	Chandel Equipment Rentals	Oilfield equipment rentals
	Cheechako Camps & Catering	39 Camps
Well Servicing	Rockwell Servicing Partnership	116 well servicing rigs/coiled tubing units
Production Services	Opsco Energy Industries Ltd.	49 production testing units
and Manufacturing		38 wireline units
Transportation	Ensign Drilling Partnership	
	Artisan Trucking	41 trucks



In 2007, our Canadian divisions focused on improving efficiencies, cost control and expanding services to the conventional and unconventional oil sectors, including the oil sands.

2007 Highlights

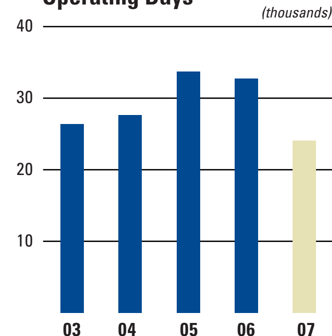
- Competition in the Canadian oilfield services market increased during 2007 due to a convergence of market developments, including lower natural gas prices, a stronger Canadian dollar and the Province of Alberta's royalty review, all of which coincided with a significant increase in industry-wide oilfield services equipment capacity.
- Revenue generated by Ensign's Canadian oilfield services division totaled $777.2 million in 2007, a decline of 28 percent from $1,074.5 million in 2006.
- We further strengthened our state-of-the-art rig fleet with three new drilling rigs for deployment in Alberta, Saskatchewan and British Columbia, nine new coring rigs for deployment in Alberta's oil sands, and three new well servicing rigs, two of which have slant capabilities. An additional two well servicing rigs, which were under construction at the end of 2007, were deployed in early 2008.
- We streamlined our Canadian drilling operations through the consolidation of Ensign Drilling and Tri-City Drilling, two of the cornerstones of our Canadian drilling operations, into a new Ensign Canadian Drilling division.

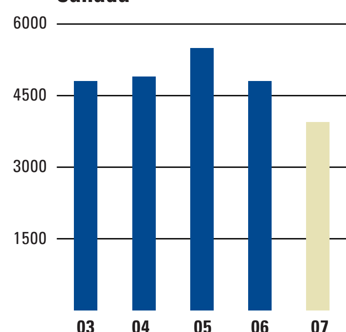


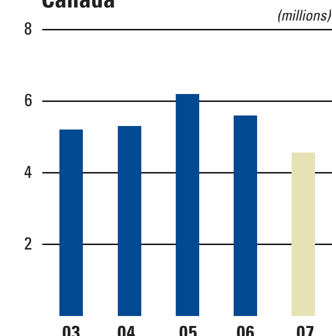
Contract Drilling and Transportation

We operate our Canadian drilling rig fleet, the second largest in Canada, and our transportation department through the Ensign Drilling Partnership, which is comprised of five divisions:

- Ensign Canadian Drilling was formed effective January 1, 2008 when we consolidated our Ensign Drilling and Tri City Drilling divisions. Ensign Canadian Drilling is a leading provider of specialized drilling services to oil and natural gas exploration and production companies. The division's capabilities include: horizontal drilling; underbalanced drilling; horizontal re-entry services; slant drilling for steam assisted gravity drainage ("SAGD") applications in Alberta's oil sands; and shallow and intermediate depth well drilling. Ensign Canadian Drilling operates primarily in northern and central Alberta and northeastern British Columbia. The division is based in Nisku, Alberta, and has offices in Grande Prairie, Alberta, and Fort Nelson, British Columbia.
- Champion Drilling is the largest drilling contractor in southern Alberta. Based in Brooks, Alberta, Champion specializes in drilling shallow natural gas wells in the southern Alberta and southwest Saskatchewan regions of the WCSB.
- Big Sky Drilling has the largest rig fleet in Saskatchewan and specializes in oil and natural gas drilling in southeast Saskatchewan and southwest Manitoba. Big Sky's area of operation is largely oil based and the division enjoys a one-third market share in the area. Big Sky operates out of Oxbow, Saskatchewan.
- Encore Coring & Drilling provides coring and drilling services to the mining and oil and natural gas industries throughout the WCSB. Encore's fleet of coring/drilling rigs supports oil sands, coal bed methane, shallow gas, and diamond projects. Encore has established itself as the premier contractor of choice and captured a large share of the Canadian coring market. Encore is based in Calgary, Alberta.
- Artisan Trucking is a strong complement to our contract drilling services, increasing our competitiveness by allowing us to deploy our highly mobile ADR™ rigs quickly and efficiently. In a move to further improve efficiencies, in 2007 we united our two trucking operations, which were within the Champion Drilling and Encore Coring & Drilling divisions, under the single banner of Artisan Trucking.







Ensign's contract drilling divisions responded aggressively to numerous external market challenges in 2007, focusing on improving efficiencies and controlling costs and providing our customers cost-effective solutions throughout our suite of oilfield services.

The Company maintains a strong presence in key crude oil producing regions of the WCSB and offers a diverse range of services. However, the majority of the exploration and production activity in the WCSB remains focused on natural gas.

During the year, persistently lower natural gas commodity prices and a stronger Canadian dollar resulted in reduced economic returns for Canadian producers, who responded by decreasing natural gas drilling activity in western Canada. Additionally, the government of Alberta's proposed changes to the royalty rate structure, which were announced in October 2007, led many producers to reduce planned expenditures in Alberta for the 2007/08 winter drilling season and the 2008 summer drilling season due to reduced economics and uncertainty around the impact of the new royalty regime.This decrease in drilling demand coincided with a significant increase in industry-wide capacity. With too much equipment chasing a reduced number of jobs, inevitably there was a negative impact on rig utilization and pricing.

During 2007, the Company's Canadian drilling divisions recorded 24,046 operating days (34.2 percent utilization), which represents a 26 percent decrease from the 32,689 operating days (49.3 percent utilization) in the prior year.

Although reduced activity levels led to downward pressure on prices throughout the year, we maintained margins by focusing on stringent cost control and operational excellence — consolidating and centralizing services where needed to gain efficiencies, such as the consolidation of the Ensign Drilling and Tri-City Drilling divisions into a single Ensign Canadian Drilling division; further upgrading our rig fleet in direct response to the technological needs of our customers; and redeploying drilling equipment geographically within and outside of Canada.

During 2007, we further augmented our modern contract drilling fleet with the construction of:

- one of the Company's proprietary Automated Drill Rig under a long-term contract in northern Alberta;
- one triple drilling rig for deployment in southeastern Saskatchewan;
- one double drilling rig for operations in northeastern British Columbia; and
- nine coring rigs for deployment in Alberta's oil sands developments.

In light of an oversupply of drilling rigs in the Canadian market, we also relocated two ADRs from Canada to Australia where they will operate under long-term contracts.

Well Servicing

Ensign is the fourth largest well servicing contractor in Canada, providing services to oil and natural gas producers throughout most of the WCSB through our Rockwell Servicing Partnership division.

During 2007, Rockwell recorded 168,313 operating hours (40.4 percent utilization), compared with 206,951 operating hours (49.0 percent utilization) in 2006. Rockwell currently operates a fleet of 106 service rigs, 10 coiled tubing units and one nitrogen unit. All three of the new servicing rigs we built in 2007 were deployed for customers in the heavy oil sector, further enhancing our significant presence in this key market. Two of the new builds were new slant rigs built to our own, proven industry-leading design. Further bolstering the Company's equipment fleet, the construction of two additional well servicing rigs was completed in early 2008.

In collaboration with one of our major customers, we also developed a new thermal production service rig, which works in SAGD at very shallow depths and in a slant mode. This new technology shows promise for further development opportunities.

Rockwell offers services in all facets of well servicing, including completions, abandonments, production workovers and bottomhole pump changes. Rockwell has six field offices located throughout Alberta and one in Saskatchewan.

Underbalanced Drilling, Rental Equipment, and Camps and Catering

Our Enhanced Petroleum Services Partnership division operates three businesses: Enhanced Drill Systems; Chandel Equipment Rentals; and Cheechako Camps & Catering. The weakening market conditions in the WCSB in 2007 also negatively impacted the results from our Enhanced division compared to the prior year.

Enhanced Drill Systems, the largest supplier of underbalanced drilling services in the WCSB, has 18 underbalanced drilling packages, unchanged from 2006. Based in Red Deer, Alberta, Enhanced provides interactive underbalanced drilling packages comprised of a completely self-contained system, including nitrogen generation, compression equipment, and surface control systems. Our most advanced underbalanced drilling equipment incorporates the same interactive process control technology that refineries use, which allows us to run our equipment with more precision and fewer personnel than our competitors.

Chandel Equipment Rentals continued to focus on evaluating new markets and equipment in 2007. Chandel offers an extensive and expanding inventory of drill strings, loaders, tanks, pumps, rig matting and blow-out preventers. Chandel has three field offices in Alberta and one in Saskatchewan. Cheechako Camps & Catering added 14 new camps in 2007 and by the end of the year was operating 39 camps and related catering services in the WCSB. Cheechako's operations office is located in Edmonton, Alberta, and the division also maintains a yard in Slave Lake, Alberta.

Production Services and Manufacturing

Opsco Energy Industries Ltd. has three business divisions — wireline services; production testing; and manufacturing services. The subsidiary had a mixed year in 2007. While the manufacturing division was relatively strong, the wireline services and production testing divisions weakened as a result of the downturn in natural gas exploration and production activity in the WCSB. Opsco is headquartered in Calgary, Alberta. We also have a commercial welding services provider based in Brooks, Alberta.

Wireline Services

Opsco's wireline services division, which operates 38 wireline units, saw utilization decline in 2007 due to the weakening natural gas market. Opsco Wireline Services is a leading provider of slickline and braided line services in the WCSB.

Production Testing

Opsco's production testing division exited 2007 with a total of 49 units, unchanged from 2006. Utilization declined in 2007 from the previous year due to the decline in the natural gas market. Opsco is a leader in production testing for high-volume, high-pressure sweet or sour natural gas applications, in-line testing, as well as flowback from fracturing operations. Opsco's Canadian operations provide production testing services throughout the WCSB.

Manufacturing

Opsco's manufacturing division, which designs and manufactures customized oil and natural gas production equipment, had a relatively strong year in 2007 due to increasing demand for large vessels primarily for the use in oil sands, thermal oil, and high-pressure gas projects. Our ability to fabricate and assemble large diameter and long-length vessels has given the division the competitive edge in the large vessel market. Notably, in 2007, we produced the largest pressure vessel package to date — two 14 x 110 foot vessels weighing over 430,000 lbs. each for use by a major customer in its heavy oil operations — and one high-pressure vessel with a wall thickness of 4-1/2 inches. These vessels were produced at Opsco's purpose-built, 43,500 square-foot manufacturing facility located in Calgary, Alberta.

Safety, Training and Recruitment

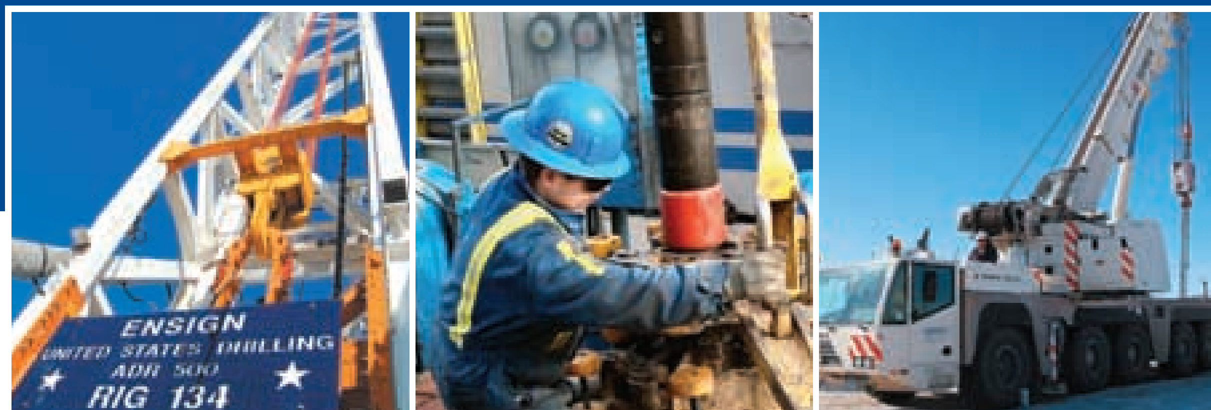
In 2007, Ensign's Canadian operations achieved another decline in its injury incident rate. We view this continuing downward trend as a significant achievement that arises from the safety focus of all our employees that is supported by our company-wide HSE Management System. Our safety management system is the foundation for all of our safety processes and establishes an international standard for the way we manage, practice and monitor our health, safety and environmental programs. Our long-standing safety initiative — *Driving to Zero* — also helped provide focus for our ongoing drive for zero safety incidents, zero injuries and zero days off work due to injury. We are aiming to achieve our *Driving to Zero* goal through our comprehensive safety training and communication programs for employees.

Despite the slowdown in natural gas production in 2007, competition in the WCSB for attracting and retaining skilled labour continued to be high due to the overall strength of provincial economies in the WCSB. Our recruitment and training programs are geared towards ensuring that we attract and retain the highest calibre employees and that they are fully trained in safe work practices and are aware of their HSE responsibilities and accountabilities.

UNITED STATES

Ensign is the sixth largest land-based drilling contractor in the United States, with a dominant position in the Rocky Mountain and California regions. Ensign also has a growing presence in well servicing and production testing in the Rocky Mountain region.

OPERATING DIVISIONS	UNITED STATES	FLEET SIZE
Contract Drilling	Ensign United States Drilling Inc.	57 drilling rigs
	Ensign United States Drilling (California) Inc.	19 drilling rigs
Rental Equipment	Ensign United States Drilling Inc.	
	Rocky Mountain Oilfield Rentals	Oilfield equipment rentals
	Ensign United States Drilling (California) Inc.	
	West Coast Oilfield Rentals	Oilfield equipment rentals
Well Servicing	Ensign Well Services Inc.	13 well servicing rigs
	Ensign United States Drilling (California) Inc.	1 well service rig
Production Services	Opsco Energy Industries (USA) Ltd.	14 production testing units
Transportation	Ensign United States Drilling Inc.	
	Jonah Trucking	63 trucks



Our United States divisions posted strong results in 2007, a reflection of Ensign's strategic market positioning in both the Rocky Mountain and California markets.

2007 Highlights

- In the second quarter of 2007, for the first time in the Company's history, quarterly revenues generated by the United States oilfield services division exceeded those generated in Canada, demonstrating the value of the Company's geographic diversification strategy.
- In 2007, revenue generated by Ensign's United States oilfield services division totaled $555.1 million, up 10 percent from $505.7 million in 2006. The United States segment now accounts for 35 percent of consolidated revenue, compared with 28 percent in 2006.
- Successfully constructed and deployed 13 of the Company's proprietary fit-for-purpose ADRs to our United States equipment fleet, all under long-term contract.
- Expanded our well servicing offering into California.

Contract Drilling

Ensign has two contract drilling operations in the United States:

- Ensign United States Drilling Inc. ("Ensign Rockies") is the most active land-based drilling contractor in the Rocky Mountain region, one of the most active areas in the United States for oil and natural gas drilling. Based in Denver, Colorado, Ensign Rockies' operations span nine states — Montana, Wyoming, Colorado, Utah, North Dakota, South Dakota, Nebraska, Oklahoma and Nevada.
- Ensign United States Drilling (California) Inc. ("Ensign California") operates in the San Joaquin, Los Angeles and Sacramento basins, with operations based in Bakersfield, California.

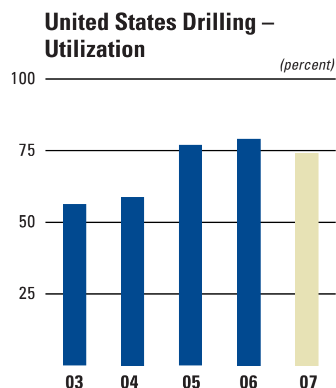
Ensign Rockies and Ensign California performed strongly both financially and operationally throughout 2007. Operating days in 2007 totaled 19,110 which represents a five percent increase over the 18,252 operating days recorded in 2006.

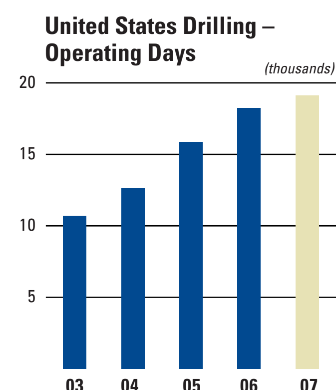
The improved financial and operational performance reflects sustained customer activity, generally firm pricing, as well as the successful deployment of 13 of the Company's proprietary ADRs to the United States during the year. A substantial portion of the Company's 2007 capital expenditure program was directed toward expansion of its equipment fleet in the United States. All of the new ADRs are supported by long-term contracts with established customers. By the end of 2007, our United States operations had a total of 76 marketed drilling rigs. Of these, Ensign Rockies had 57, compared with 46 at the end of 2006; and Ensign California had 19, an increase of one from the end of 2006.

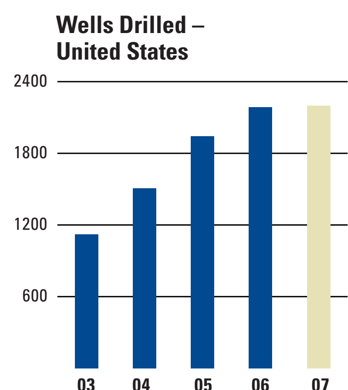
The transportation group continued to perform strongly in 2007. Our fleet of 63 trucks supports our operations in Colorado, Wyoming and California.

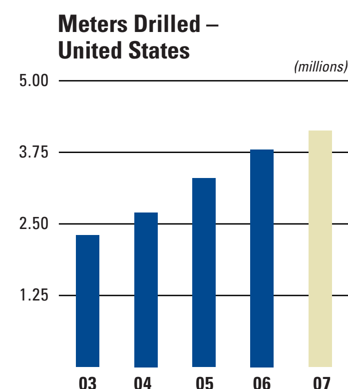
Well Servicing

Ensign entered the California well servicing market for the first time in 2007 when we moved one well servicing rig from Ensign Well Services Inc. into the San Joaquin basin. We also relocated one well servicing rig from Canada to the Rocky Mountain region. Our United States well servicing operations, which now owns and operates 14 well servicing rigs, recorded 26,494 well servicing hours in 2007, compared with 21,383 in 2006.









Rental Equipment

Our Rocky Mountain Oilfield Rentals ("RMOR") and West Coast Oilfield Rentals ("WCOR") divisions provide ancillary equipment used in drilling operations. In 2007, both RMOR and WCOR continued to build their equipment inventory, which includes blow-out preventers, mud motors, hevi-weight drill pipe, top drives, iron roughnecks, forklifts, and loaders. RMOR added eight camps to its inventory in 2007.

Production Services

Our Opsco Energy Industries (USA) Ltd. ("Opsco USA") subsidiary, which provides production testing services, enjoyed continued high demand in 2007. We added two new production testing units to our Wyoming operation, exiting the year with 14 units. We further strengthened the division by establishing a short-term-contract call-out business and appointing a general manager to actively expand the client base. Opsco USA is based in Casper, Wyoming.

Safety, Training and Equipment

The building of our safety culture continued to pay dividends in 2007 as we reduced injury incident rates and consequently drove down workmen's compensation and insurance costs. We achieved this as a direct result of our company-wide HSE Management System and *Driving to Zero* program. Our training programs — which include management leadership classes and rig managers training — also played an important role. Given the steady growth of our customer base in the United States, the competition for skilled personnel, and the fact that we are introducing new technology such as our ADRs, our United States division is continuing its major emphasis on recruitment as well as training of rig managers, drillers, and other personnel through formal, comprehensive training programs. Our training programs cover a wide range of subjects — practical skills, including ADR™-specific training; hiring practices; workplace behaviour; communication skills; and coaching and mentoring.

INTERNATIONAL

We currently provide contract drilling services in Australia, New Zealand, Southeast Asia, the Middle East, Africa, and South America.

- Ensign Energy Services International Limited (“EESIL”) specializes in the drilling of all forms of hydrocarbon and geothermal wells, and oversees our operations in Australasia, the Middle East and Africa. EESIL is based in Adelaide, Australia.
- Ensign International Energy Services Inc., which is based in Houston, Texas, oversees our South America operations in Venezuela and Argentina.

OPERATING DIVISIONS	INTERNATIONAL	FLEET SIZE
Contract Drilling/Workover Services	Ensign Energy Services International Limited	39 drilling/workover rigs
	Ensign de Venezuela C.A.	10 drilling/workover rigs

DRILLING RIGS	CURRENT	2006
Argentina	6	6
Australia	7	6
Gabon	1	1
Indonesia	2	2
Libya	7	7
New Zealand	1	1
Oman	4	4
Qatar	1	–
Thailand	2	1
Venezuela	9	10
	40	38

WORKOVER RIGS	CURRENT	2006
Argentina	4	4
Australia	3	3
New Zealand	1	1
Venezuela	1	1
	9	9

Our international operations generated steadily improving results in 2007 as we concentrated on leveraging our existing operational bases and expanding selectively to new markets.

2007 Highlights

- Revenue generated by the Company's international oilfield services division increased eight percent to $245.3 million, compared with revenue of $227.0 million in 2006.
- Introduced our ADR™ technology to the Australian market by redeploying two ADRs from Canada.
- Further modernized our fleet with the construction of three drilling rigs for Libya, Oman and Qatar.

Contract Drilling/Workover Services

Ensign's international operations had a solid year in 2007 and we continue to see opportunities for growth in 2008. Our international market is primarily driven by crude oil pricing levels, which are currently at historic highs. In addition, the international market is experiencing increased demand for oilfield services in support of increased development of the liquefied natural gas (LNG) sector.

Operating days in 2007 totaled 9,291 (52.6 percent utilization), which represents a two percent increase from the 9,151 operating days (53.4 percent utilization) in 2006.

Our primary focus continues to be on expanding our business in the countries and regions where we are already well established. We increased our footprint in both Australia and the Middle East in 2007 through equipment redeployments and construction projects.

We moved two ADRs from Canada to Australia, thus introducing our market-leading technology there for the first time. Both rigs are operating under long-term contracts. We now have seven drilling rigs and three workover rigs deployed in Australia.

In the Middle East, we entered Qatar for the first time, constructing a 2000 horsepower deep capacity rig for that market. This drilling rig commenced operations in early 2008 and will operate under a long-term contract.

We continued modernizing our equipment fleet in the region. In 2007, we deployed a deep capacity rig to Oman and continued the construction of an additional deep capacity rig for Libya. The drilling rig slated for operations in Libya was deployed in early 2008. We now have eight rigs in Africa and five in the Middle East.

Our South American operations were consistent and stable in 2007.

In Venezuela, we exited the year with nine marketed drilling rigs and one workover rig.

In Argentina, we exited 2007 with six marketed drilling rigs and four workover rigs, unchanged from the previous year.

Safety, Training and Recruitment

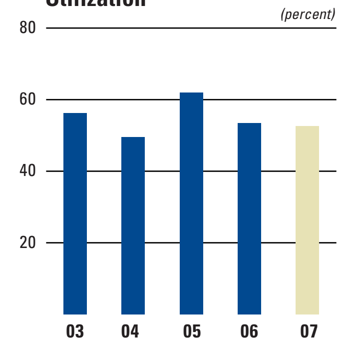
Ensign's international operations seek continuous improvement of its health, safety and environmental performance and to provide a safe working environment for all its personnel.

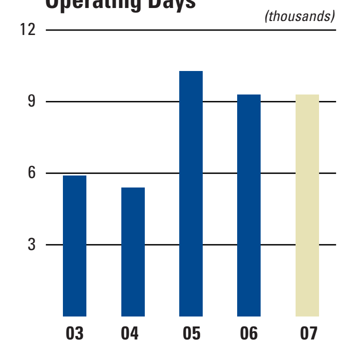
We have many ongoing practices to help us achieve this, such as senior management visits to rig sites, crew training programs, and rig-specific safety improvement plans.

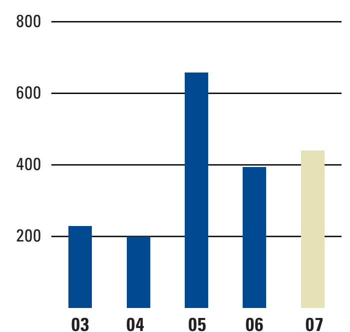
Initiatives in 2007 included evaluating and monitoring contractors, applying root cause analysis to recordable incidents, surveying environmental practices, and developing competency plans.

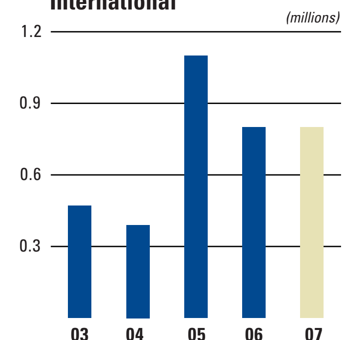
Wherever possible we transfer best practices from other parts of the Company. For example, in 2007 we ran the Master Driller Program in Australia and Argentina. The program, which was developed in our United States operations, addresses rig operations, safety and maintenance. It is designed to promote enthusiasm, discussions and resolve issues that may exist at the rig site.

The health and safety of all employees is paramount, not only to the Company but also to our energy industry customers who place a high safety requirement on the Company. We achieve this by implementing, reinforcing, and renewing the company-wide HSE Management System and *Driving to Zero* vision.









MANAGEMENT'S DISCUSSION AND ANALYSIS

As of March 17, 2008

This Management's Discussion and Analysis ("MD&A") for Ensign Energy Services Inc. and all of its subsidiaries and partnerships (the "Company") should be read in conjunction with the consolidated financial statements and the notes thereto contained in the Company's 2007 Annual Report. The Company prepared the consolidated financial statements for the year ended December 31, 2007 in accordance with Canadian generally accepted accounting principles ("GAAP"). All financial measures presented in this MD&A are expressed in Canadian dollars unless otherwise indicated. Additional information, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

This MD&A contains forward-looking statements based upon current expectations that involve a number of business risks and uncertainties. The factors that could cause results to differ materially include, but are not limited to, political and economic conditions, foreign currency fluctuations, oil and natural gas prices, weather conditions, the ability of oil and natural gas companies to raise capital, or other unforeseen conditions that could have an impact on the demand for services supplied by the Company.

Non-GAAP Measures

This MD&A contains references to EBITDA, adjusted net income and funds from operations. These financial measures are not measures that have any standardized meaning prescribed by GAAP and accordingly may not be comparable to similar measures used by other companies. Non-GAAP measures are defined below.

Overview and Selected Annual Information

($ thousands, except per share data)	**2007**	2006	Change	% change	2005	Change	% change
Revenue	**1,577,601**	1,807,230	(229,629)	(13)	1,520,724	286,506	19
EBITDA [1]	**468,178**	593,334	(125,156)	(21)	448,163	145,171	32
EBITDA per share							
Basic [4]	**$3.07**	$3.91	$(0.84)	(21)	$2.97	$0.94	32
Diluted [4]	**$3.03**	$3.80	$(0.77)	(20)	$2.87	$0.93	32
Adjusted net income [2]	**244,966**	337,352	(92,386)	(27)	231,685	105,667	46
Adjusted net income per share							
Basic [4]	**$1.61**	$2.22	$(0.61)	(27)	$1.53	$0.69	45
Diluted [4]	**$1.59**	$2.16	$(0.57)	(26)	$1.49	$0.67	45
Net income	**249,765**	341,284	(91,519)	(27)	169,665	171,619	101
Net income per share							
Basic [4]	**$1.64**	$2.25	$(0.61)	(27)	$1.12	$1.13	101
Diluted [4]	**$1.62**	$2.18	$(0.56)	(26)	$1.09	$1.09	100
Funds from operations [3]	**296,048**	420,173	(124,125)	(30)	337,186	82,987	25
Funds from operations per share							
Basic [4]	**$1.94**	$2.77	$(0.83)	(30)	$2.23	$0.54	24
Diluted [4]	**$1.92**	$2.69	$(0.77)	(29)	$2.16	$0.53	25
Cash dividends per share	**$0.3225**	$0.28	$0.0425	15	$0.17	$0.11	65
Total assets	**1,786,560**	1,762,149	24,411	1	1,522,339	239,810	16

1 EBITDA is defined as "income before interest expense, income taxes, depreciation, and stock-based compensation expense". Management believes that in addition to net income, EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Company's principal business activities prior to consideration of how these activities are financed, how the results are taxed in various jurisdictions, or how the results are impacted by the accounting standards associated with the Company's stock-based compensation plan.

($ thousands)	**2007**	2006	2005
Income before income taxes	**377,676**	513,336	271,008
Interest	**5,249**	5,127	6,823
Depreciation	**92,636**	80,921	74,917
Stock-based compensation	**(7,383)**	(6,050)	95,415
EBITDA	**468,178**	593,334	448,163

2 Adjusted net income is defined as "net income before stock-based compensation expense, tax-effected using an income tax rate of 35%". Adjusted net income is a useful supplemental measure as it provides an indication of the results generated by the Company's principal business activities prior to consideration of how the results are impacted by the accounting standards associated with the Company's stock-based compensation plan, net of income taxes.

($ thousands)	**2007**	2006	2005
Net income	**249,765**	341,284	169,665
Stock-based compensation, net of taxes	**(4,799)**	(3,932)	62,020
Adjusted net income	**244,966**	337,352	231,685

3 Funds from operations is defined as "cash provided by operating activities before the change in non-cash working capital". Funds from operations is a measure that provides shareholders and potential investors additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Management utilizes this measure to assess the Company's ability to finance operating activities and capital expenditures.

($ thousands)	**2007**	2006	2005
Net income	**249,765**	341,284	169,665
Non-cash items:			
Depreciation	**92,636**	80,921	74,917
Stock-based compensation, net of cash paid	**(31,418)**	(42,648)	72,102
Future income taxes	**(14,935)**	40,616	20,502
Funds from operations	**296,048**	420,173	337,186

4 Share and per share data for the year ended December 31, 2005 have been restated to reflect the two-for-one common share split in May 2006.

2007 Compared with 2006

The Company was rewarded in 2007 for the strategic diversification and focused growth it executed over the past several years. Despite challenges experienced in the Company's core Canadian market, the Company recorded revenue of $1,577.6 million and EBITDA of $468.2 million during the year ended December 31, 2007, results second only to those achieved in the record year of 2006.

The industry malaise that started in the second half of 2006 continued into 2007 as the Company's Canadian customers reacted to the issues undermining the economics of their opportunities in the Western Canada Sedimentary Basin ("WCSB"), such as moderate natural gas prices, a strong Canadian dollar and proposed changes to the structure of oil and natural gas royalties in the Province of Alberta, and adjusted their drilling programs accordingly. Despite the decline in operating activity levels associated with the exploration and development of natural gas in Canada, the Company is pleased with the performance of its operating divisions focused on the oil sands and crude oil sectors, which were supported by strong crude oil commodity prices throughout 2007. Expansion of the Company's fleet of proprietary Automated Drill Rigs ("ADR™") led the growth achieved in the United States oilfield services division in 2007, and mitigated some of the negative influences impacting the Canadian market. The Company's international operations also continued to show signs of growth as bidding activity increased in select markets. The Company responded in 2007 with the construction of three drilling rigs under long-term contracts.

2006 Compared with 2005

The year ended December 31, 2006 was a record financial year for the Company, and the fourth consecutive year in which the Company delivered year-over-year growth in all key financial measures. The 2006 fiscal year started strong, with customer demand and operating activity levels building on the momentum gained in 2005. Oil and natural gas commodity prices remained strong during the first half of 2006 and supported high levels of oil and natural gas exploration and development activity throughout North America and internationally.

The Company operates in a cyclical industry, the effects of which were felt in the latter half of 2006. Concerns over natural gas commodity prices began to impact demand for the Company's services in the Canadian market. As natural gas commodity prices began to decline as a result of concerns over rising natural gas inventory levels and predictions of warm winter weather in North America, the Company's customers began to curtail their drilling programs, particularly in the shallow natural gas and coal bed methane markets of the WCSB. These factors negatively impacted equipment

utilization rates in Canada late in the third quarter and throughout the fourth quarter of 2006. As a result, the Canadian oilfield services division exited 2006 at utilization levels lower than that experienced in the prior year. Operating activities in the Company's United States oilfield services division were not impacted as significantly by these short-term fluctuations in natural gas spot market prices as customers' drilling programs in these regions tend to have a longer-term focus. Additionally, the international market is primarily influenced by crude oil supply and demand fundamentals, which remained favourable throughout 2006.

Revenue and Oilfield Services Expense

($ thousands)	**2007**	2006	Change	% change
Revenue				
Canada	**777,228**	1,074,491	(297,263)	(28)
United States	**555,072**	505,748	49,324	10
International	**245,301**	226,991	18,310	8
	1,577,601	1,807,230	(229,629)	(13)
Oilfield services expense	**1,054,334**	1,161,213	(106,879)	(9)
	523,267	646,017	(122,750)	(19)
Gross margin	**33.2%**	35.7%		

Revenue for the year ended December 31, 2007 totaled $1,577.6 million, a decline of 13 percent from the prior year. The decline in revenue originating from the Company's Canadian oilfield services division was partially offset by year-over-year increases achieved by both the United States and international oilfield services divisions.

Gross margin was 33.2 percent in 2007, compared with 35.7 percent in 2006. The compression in operating margins year-over-year is predominantly a reflection of the Canadian market, which faced pricing pressure in light of increased competition and declining demand in 2007. The cost control initiatives implemented by the Company have, to the extent possible, ensured its cost structure is commensurate with activity levels. However, in all geographic areas the Company continues to experience some cost inflation as it must compete with other oilfield services providers and other industries for skilled labour, as well as source materials in a tight supply market.

Canadian Oilfield Services

	2007	2006	Change	% change
Conventional drilling rigs	**160**	164	(4)	(2)
Oil sands coring/coal bed methane rigs	**31**	22	9	41
Drilling operating days	**24,046**	32,689	(8,643)	(26)
Drilling rig utilization %	**34.2**	49.3	(15.1)	(31)
Well servicing rigs/units	**116**	114	2	2
Well servicing operating hours	**168,313**	206,951	(38,638)	(19)
Well servicing utilization %	**40.4**	49.0	(8.6)	(18)

Fiscal 2007 proved to be a challenging year for the Company's Canadian oilfield services division. Demand for oilfield services in Western Canada tempered in 2007 compared with the record levels of demand experienced in 2006. The Company's customers rationalized drilling programs in 2007 in light of several issues negatively impacting their operations, including a strong Canadian dollar, unfavourable royalty regime changes in Alberta and a negative outlook for natural gas commodity prices. The number of wells drilled in the WCSB totaled 19,144 (per the Canadian Association of Oilwell Drilling Contractors) in 2007, the lowest level of drilling activity in the region since 2002. Record industry equipment capacity further compounded the impact to the Company's Canadian equipment utilization rates and pricing. Gross margins realized by the Canadian oilfield services division eroded in 2007 compared with 2006 as the Company endeavored to maintain its market share in a difficult environment.

The Company's diverse product offering and established presence in key oil regions of the WCSB have somewhat mitigated the natural gas driven market softness, and the Company further bolstered its equipment fleet directed towards serving customers in the crude oil sector in 2007. During the year ended December 31, 2007, the Canadian oilfield services division added to its equipment fleet nine oil sands coring rigs, three well servicing rigs deployed in the heavy oil servicing sector, and one triple drilling rig for operation in south-eastern Saskatchewan. In response to customer demand, the Company also completed the construction of one conventional double drilling rig and one ADR™ for operations in northern British Columbia and Alberta, respectively, both of which are operating under long-term contracts.

The Company demonstrated the value of its global reach in 2007 and transferred two idle drilling rigs from its Canadian fleet of equipment to Australia. These redeployments further expand the application of its ADR™ technology to international markets, and the Company is encouraged by the growing demand for its proprietary technology. In light of current market conditions in Canada, the Company also removed five drilling rigs from its Canadian marketed fleet of equipment in 2007, and will retain the rig packages and critical components for servicing the remainder of its drilling rig fleet.

United States Oilfield Services

	2007	2006	Change	% change
Conventional drilling rigs	**76**	64	12	19
Drilling operating days	**19,110**	18,252	858	5
Drilling rig utilization %	**74.1**	79.2	(5.1)	(6)
Well servicing rigs/units	**14**	11	3	27
Well servicing operating hours	**26,494**	21,383	5,111	24
Well servicing utilization %	**61.3**	67.5	(6.2)	(9)

The Company's strategic geographic diversification and United States focused growth initiatives proved successful in 2007, and served to mitigate the challenging operating environment experienced in Canada. Although lower natural gas prices resulted in a softening of demand in certain areas of the United States market in 2007, the impact was far less than that experienced in Canada, owing to the more favorable economics associated with unconventional natural gas development plays that drove demand for oilfield services in the Rocky Mountain region. The Company's California operation is primarily focused on crude oil and, as such, experienced stable levels of demand throughout the year, supported by strong market prices for crude oil. Revenue generated by the Company's United States oilfield services division now accounts for 35 percent of the Company's consolidated revenue, compared with 28 percent in 2006.

The Company undertook its most significant United States expansion program in recent years, adding 13 ADRs to the Rocky Mountain equipment fleet in 2007. The Company's proprietary ADR™ technology has been well received by customers in the Rocky Mountain and California regions and has served to diversify its service offerings to customers in those markets. The Company worked closely with its customers in constructing the latest generation of ADRs to ensure the technologically advanced and mobile equipment met the special needs of their often complex drilling programs. The inherent efficiency of the newly constructed equipment supported higher revenue rates during the year, and the long-term contracts under which these rigs operate have partially shielded the Company from the effects of short-term fluctuations in spot prices for drilling services.

International Oilfield Services

	2007	2006	Change	% change
Conventional drilling/workover rigs	**49**	47	2	4
Drilling operating days	**9,291**	9,151	140	2
Drilling rig utilization %	**52.6**	53.4	(0.8)	(2)

The Company's international oilfield services division delivered promising results for the year ended December 31, 2007, including an eight percent increase in revenue on a year-over-year basis. Demand for oilfield services in the international market remained steady throughout 2007, driven primarily by crude oil pricing levels that remained near historical highs. Although bidding activity was heightened throughout the year, more rapid growth was not achieved given the significant lead times associated with contract negotiations and equipment mobilizations inherent in international operations.

The Company embarked on several rig relocation and construction programs in 2007 that will begin to have a meaningful impact on financial results in 2008. During the year ended December 31, 2007, the Company relocated two drilling rigs from Canada to Australia where they commenced operations under long-term contracts, one in the third quarter and one in the fourth quarter of 2007. In December 2007, upon completion of construction, an additional deep capacity drilling rig commenced operations in the Middle East. The construction of two additional drilling rigs was nearing completion at the end of 2007, and the deployment of these rigs, one to the Middle East and one to north Africa, was completed in the first quarter of 2008.

Depreciation

($ thousands)	**2007**	2006	Change	% change
Depreciation	**92,636**	80,921	11,715	14

Depreciation expense totaled $92.6 million for the year ended December 31, 2007, an increase of $11.7 million or 14 percent compared with the year ended December 31, 2006. The Company depreciates the majority of its equipment on a unit-of-production basis. Although consolidated operating activity levels declined in 2007 compared with 2006, depreciation expense increased due to the significant capital additions made during the last two years. Depreciation expense on a per day basis increased in 2007 as the Company introduced newly constructed and higher valued assets to its equipment fleet.

General and Administrative Expense

($ thousands)	**2007**	2006	Change	% change
General and administrative	**55,089**	52,683	2,406	5
% of revenue	**3.5%**	2.9%		

General and administrative expense totaled $55.1 million for the year ended December 31, 2007, an increase of five percent over the prior year. The increase in general and administrative expense was incurred primarily in support of the Company's growth initiatives in the United States. As a percentage of revenue, general and administrative expense was 3.5 percent in 2007 compared with 2.9 percent for the year ended December 31, 2006.

Stock-based Compensation Expense

($ thousands)	**2007**	2006	Change	% change
Stock-based compensation	**(7,383)**	(6,050)	(1,333)	22

Stock-based compensation expense arises from the intrinsic value accounting associated with the Company's stock option plan, whereby the liability associated with stock-based compensation is adjusted on a quarterly basis for the effect of granting and vesting of employee stock options, and changes in the underlying price of the Company's common shares. For the year ended December 31, 2007, stock-based compensation is a recovery of $7.4 million, compared with a recovery of $6.1 million for the year ended December 31, 2006. The recovery in both 2007 and 2006 is due to a decline in the price of the Company's common shares, net of the impact of additional granting and vesting of stock options. The closing price of the Company's common shares was $15.25 at December 31, 2007, compared with $18.39 at December 31, 2006 and $23.46 at December 31, 2005.

Interest Expense

($ thousands)	**2007**	2006	Change	% change
Interest	**5,249**	5,127	122	2

Interest expense is incurred on the Company's operating lines of credit. Although, the average utilized balance outstanding on the Company's operating lines of credit has declined slightly year-over-year, interest expense in 2007 has not declined accordingly. A greater proportion of the Company's borrowings in 2007 were derived from its Australian-based facility that attracts interest rates higher than those in Canada.

Income Taxes

($ thousands)	**2007**	2006	Change	% change
Current income tax	**142,846**	131,436	11,410	9
Future income tax	**(14,935)**	40,616	(55,551)	(137)
	127,911	172,052	(44,141)	(26)
Effective income tax rate (%)	**33.9%**	33.5%		

The effective income tax rate for the year ended December 31, 2007 was 33.9 percent compared with 33.5 percent for the year ended December 31, 2006. The future income tax recovery in 2007 is partially due to partnership timing differences and income tax rate reductions in Canada. Taxable income generated in Canadian partnerships was a significant component of the future income tax liability as at December 31, 2006. This balance has declined as of December 31, 2007 due to the decline in income generated by Canadian partnerships. The application of income tax rate reductions on opening income tax balances has been reflected as a reduction in future income tax expense.

Current income tax expense for the year ended December 31, 2007 includes $3.8 million related to Omani tax assessments. As previously disclosed, the Company's Oman operating entity was appealing income tax assessments received for the 1994, 1995 and 1996 financial years. The Company was appealing these assessments on the basis that they were without merit under Omani law; however, the Company's appeal was dismissed during the year ended December 31, 2007. Excluding the impact of the Omani tax assessments, the effective income tax rate would have been 32.9 percent for the year ended December 31, 2007.

Financial Position

The following table outlines significant changes in the Company's consolidated balance sheet from December 31, 2006 to December 31, 2007:

($ thousands)	Change	Explanation
Cash and cash equivalents	(12,630)	See consolidated statements of cash flows.
Accounts receivable	(63,354)	Decrease due to a decline in operating activity in the fourth quarter of 2007 compared with the fourth quarter of 2006 within the Canadian oilfield services division.
Inventory and other	12,524	Increase due to additions to drill pipe inventory.
Property and equipment	96,514	Increase due to the new drilling rig build programs and ongoing capital expenditures, offset by depreciation and changes in foreign exchange rates in the year.
Accounts payable and accrued liabilities	(64,381)	Decrease due to a decline in operating activity in the fourth quarter of 2007 compared with the fourth quarter of 2006 within the Canadian oilfield services division.
Operating lines of credit	47,980	Increase in utilization of the United States and Australian-based operating lines of credit during the year in support of rig construction activities.
Stock-based compensation	(39,038)	Decrease due to a decline in the price of the Company's common shares and the exercise of employee stock options in the year.
Income taxes payable	(27,518)	Decrease due to income tax payments made during the year, offset by the current income tax provision for the year.
Dividends payable	468	Increase due to a three-percent increase in the fourth quarter dividend rate and a slight increase in the number of outstanding common shares compared with the fourth quarter of 2006.
Future income taxes	(21,058)	Decrease due to the future income tax recovery in the year, primarily resulting from the effect of income tax rate reductions in Canada.
Shareholders' equity	136,601	Increase due to the aggregate impact of net income for the year, increase in common shares due to exercises of employee stock options, impact of foreign exchange rate fluctuations on the net assets of foreign self-sustaining subsidiaries, net of dividends declared in the year.

Funds from Operations and Working Capital

($ thousands, except per share data)	**2007**	2006	Change	% change
Funds from operations	**296,048**	420,173	(124,125)	(30)
Funds from operations per share	**$1.94**	$2.77	$(0.83)	(30)
Working capital	**60,272**	63,162	(2,890)	(5)

During the year ended December 31, 2007, the Company generated funds from operations of $296.0 million ($1.94 per common share), a decrease of 30 percent from the prior year. The decline from the record levels of funds from operations generated in 2006 is predominantly due to a reduction in operating activity levels and compressed margins in the Company's Canadian oilfield services division, partially offset by increased financial contributions delivered by the Company's United States operations. The significant factors that may impact the Company's ability to generate funds from operations in future periods are outlined in the Risks and Uncertainties section of this MD&A.

Despite the challenges experienced in the Canadian market in 2007, the Company has maintained a strong balance sheet, with working capital of $60.3 million at December 31, 2007. With a positive working capital position at December 31, 2007, available credit facilities and anticipated internally generated funds, the Company has sufficient liquidity to meet its obligations as they come due.

Excluding operating lines of credit, the Company's future contractual obligations are comprised of office leases totaling $8.1 million. A summary of the Company's total contractual obligations as of December 31, 2007, is as follows:

($ thousands)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operating lines of credit	$ 117,969	$ 117,969	$ –	$ –	$ –
Office leases	8,053	2,951	3,029	929	1,144
Total	$ 126,022	$ 120,920	$ 3,029	$ 929	$ 1,144

Investing Activities

($ thousands)	**2007**	2006	Change	% change
Net purchase of property and equipment	**(271,984)**	(325,483)	53,499	(16)
Net change in non-cash working capital	**(54,168)**	40,053	(94,221)	(235)
Cash used in investing activities	**(326,152)**	(285,430)	(40,722)	14

During the year ended December 31, 2007, cash used in investing activities totalled $326.2 million, an increase of 14 percent over cash used in investing activities of $285.4 million in 2006. Over half of the Company's 2007 capital expenditure initiatives were directed towards expansion of the Company's United States-based equipment fleet, which included the addition of 13 ADRs and two well servicing rigs.

Although the overall Canadian market was characterized by weak demand and over-supply in 2007, the Company bolstered its Canadian-based equipment fleet in strategic areas to further position itself to benefit from crude oil driven demand. The Company also capitalized on opportunities to provide its customers with fit-for-purpose equipment under long-term contracts. Additions to the Canadian oilfield services division's equipment fleet in 2007 include:

- nine oil sands coring rigs;
- three newly constructed well servicing rigs, all of which were deployed in the heavy oil sector;
- one triple drilling rig for the Company's operations in south-eastern Saskatchewan, a predominantly crude oil based market;
- one conventional double drilling rig for operations in north-eastern British Columbia; and
- one ADR™ that will operate under a long-term contract in northern Alberta.

Two additional well servicing rigs that were under construction in Canada at December 31, 2007 were placed into operation in January 2008.

Capital expenditure activities within the Company's international oilfield services division include the construction of three drilling rigs for operations in the Middle East and Africa. One of the three drilling rigs commenced operations in the Middle East in the fourth quarter of 2007 and the remaining two became operational in the first quarter of 2008. The Company's Australian-based equipment fleet also benefited from the transfer of two ADRs from Canada in the second half of 2007.

Financing Activities

($ thousands)	**2007**	2006	Change	% change
Net increase (decrease) in operating lines of credit	**47,980**	(95,790)	143,770	(150)
Issue of capital stock	**5,141**	6,556	(1,415)	(22)
Dividends	**(49,214)**	(42,505)	(6,709)	16
Net change in non-cash working capital	**468**	4,589	(4,121)	(90)
Cash provided by (used in) financing activities	**4,375**	(127,150)	131,525	(103)

The Company maintains operating lines of credit in Canada, the United States and Australia. The total utilized balance outstanding as at December 31, 2007 totaled $118.0 million, an increase of $48.0 million over the prior year.

During the year ended December 31, 2007, the Company increased the amount available under its United States-based operating line of credit to USD$50.0 million to fund the Company's new build projects and to support expanded operations in that country, and the Company also increased the amount available under its Australia-based operating line of credit to AUD$66.5 million to support international drilling rig construction projects. Subsequent to December 31, 2007, the covenants applicable to the Company's Australia-based operating line of credit were waived.

During the year ended December 31, 2007, the Company declared dividends of $0.3225 per common share, an increase of 15 percent over $0.28 per common share declared in 2006. Subsequent to December 31, 2007, the Company declared a dividend for the first quarter of 2008 of approximately $12.7 million, being $0.0825 per common share. All dividends paid by the Company subsequent to January 1, 2006 qualify as an eligible dividend, as defined by subsection 89(1) of the Canadian Income Tax Act.

Other financing activities during the year ended December 31, 2007 include the receipt of $5.1 million on the exercise of employee stock options.

Summary Quarterly Results

2007 *($ thousands, except per share data)*	**Q4**	Q3	Q2	Q1
Revenue	**388,261**	383,316	296,539	509,485
EBITDA	**108,554**	103,519	70,686	185,419
EBITDA per share				
Basic	**$0.71**	$0.68	$0.46	$1.22
Diluted	**$0.70**	$0.67	$0.45	$1.19
Adjusted net income	**62,739**	50,157	26,010	106,060
Adjusted net income per share				
Basic	**$0.41**	$0.33	$0.17	$0.70
Diluted	**$0.41**	$0.32	$0.17	$0.68
Net income	**72,561**	49,748	25,135	102,321
Net income per share				
Basic	**$0.48**	$0.33	$0.16	$0.67
Diluted	**$0.47**	$0.32	$0.16	$0.66
Funds from operations	**85,305**	53,257	39,879	117,607
Funds from operations per share				
Basic	**$0.56**	$0.35	$0.26	$0.77
Diluted	**$0.55**	$0.34	$0.26	$0.76

2006 *($ thousands, except per share data)*	Q4	Q3	Q2	Q1
Revenue	421,908	459,778	357,545	567,999
EBITDA	122,194	159,464	81,757	229,919
EBITDA per share				
Basic	$0.80	$1.05	$0.54	$1.52
Diluted	$0.78	$1.02	$0.52	$1.46
Adjusted net income	66,155	88,279	53,470	129,448
Adjusted net income per share				
Basic	$0.44	$0.58	$0.35	$0.86
Diluted	$0.42	$0.56	$0.34	$0.82
Net income	63,938	102,850	46,646	127,850
Net income per share				
Basic	$0.42	$0.68	$0.31	$0.85
Diluted	$0.41	$0.66	$0.30	$0.81
Funds from operations	109,579	99,653	55,836	155,105
Funds from operations per share				
Basic	$0.72	$0.66	$0.37	$1.03
Diluted	$0.70	$0.64	$0.35	$0.99

A comparison of the quarterly results for 2007 and 2006 reflect the downturn in the Canadian market that commenced in the latter half of 2006 and continued throughout 2007. Oil and natural gas commodity prices held strong over the first half of 2006 and supported high levels of drilling activity in North American and international markets. However, concerns over natural gas inventory levels and anticipation of warm winter weather in North America began to negatively impact natural gas prices near the end of the third quarter of 2006. As customers began to adjust their drilling programs in reaction to declining natural gas prices, the Company experienced a decline in operating activity in the fourth quarter of 2006, most notably in the Canadian shallow natural gas market.

As the Company entered the 2007 fiscal year, declining activity levels and lower equipment utilization rates, which were driven by an uncertain long-term forecast for natural gas prices and an over-supply of equipment in Canada, continued to plague the industry. The announcement of proposed changes to the royalty regime in Alberta in the third quarter of 2007 only added to the uncertainty of the Canadian market. Offsetting the negative sentiment in Canada, the Company's United States oilfield services division delivered record financial results in 2007, stemming from the addition of 13 technologically-advanced ADR™ drilling rigs under long-term contracts, and stable demand in the Rocky Mountain and California regions.

The comparability of the Company's financial results on a quarter-over-quarter basis is impacted by the accounting for the Company's stock option plan, which can fluctuate significantly from quarter-to-quarter based on the price of the Company's common shares. Management utilizes adjusted net income to assess results from the Company's principal business activities prior to the impact of stock-based compensation. The effects of income tax rate reductions in Canada also impact the comparability of the Company's quarterly financial results. The effects of income tax rate reductions on opening future income tax liability balances resulted in a reduction of future income tax expense of $11.5 million, $2.2 million and $14.2 million in the second quarter of 2006, the third quarter of 2007 and the fourth quarter of 2007, respectively.

The seasonal operating environment in North America continues to impact the Company's quarterly results. Financial and operating results for the Company's Canadian oilfield services segment are strongest during the first and fourth quarters when the Company's customers conduct the majority of their drilling programs. Utilization rates typically decline during the second quarter as spring break-up hinders mobility of the Company's equipment. As the Company continues to expand its operations in the United States and internationally, the seasonal effects of operating in Canada will be at least partially mitigated.

Fourth Quarter Analysis

	Three Months ended December 31			
($ thousands, except per share data and operating information)	**2007**	2006	Change	% change
Revenue	**388,261**	421,908	(33,647)	(8)
EBITDA	**108,554**	122,194	(13,640)	(11)
EBITDA per share				
Basic	**$0.71**	$0.80	$(0.09)	(11)
Diluted	**$0.70**	$0.78	$(0.08)	(10)
Adjusted net income	**62,739**	66,155	(3,416)	(5)
Adjusted net income per share				
Basic	**$0.41**	$0.44	$(0.03)	(7)
Diluted	**$0.41**	$0.42	$(0.01)	(2)
Net income	**72,561**	63,938	8,623	13
Net income per share				
Basic	**$0.48**	$0.42	$0.06	14
Diluted	**$0.47**	$0.41	$0.06	15
Funds from operations	**85,305**	109,579	(24,274)	(22)
Funds from operations per share				
Basic	**$0.56**	$0.72	$(0.16)	(22)
Diluted	**$0.55**	$0.70	$(0.15)	(21)
Weighted average shares – basic (000s)	**152,703**	151,975	728	–
Weighted average shares – diluted (000s)	**154,018**	155,779	(1,761)	(1)
Drilling				
Number of marketed rigs				
Canada				
Conventional	**160**	164	(4)	(2)
Oil sands coring/coal bed methane	**31**	22	9	41
United States	**76**	64	12	19
International (includes workover rigs)	**49**	47	2	4
Operating days				
Canada	**5,938**	6,793	(855)	(13)
United States	**4,839**	4,538	301	7
International	**2,362**	2,453	(91)	(4)
Drilling rig utilization (%)				
Canada	**33.8**	40.1	(6.3)	(16)
United States	**70.1**	77.1	(7.0)	(9)
International	**52.4**	56.7	(4.3)	(8)
Well Servicing				
Number of marketed rigs/units				
Canada	**116**	114	2	2
United States	**14**	11	3	27
Operating hours				
Canada	**38,414**	48,009	(9,595)	(20)
United States	**7,073**	5,169	1,904	37
Well servicing utilization (%)				
Canada	**36.2**	45.2	(9.0)	(20)
United States	**59.1**	52.6	6.5	12

The Company recorded revenue of $388.3 million during the fourth quarter of 2007, an eight percent decline from the fourth quarter of 2006. The decline in revenue is the result of declining activity levels in the Company's Canadian oilfield services division, partially offset by revenue growth achieved by both the United States and international oilfield services divisions. Net income for the fourth quarter of 2007 totaled $72.6 million ($0.48 per common share) compared with net income of $63.9 million ($0.42 per common share) recorded in the fourth quarter of 2006. Net income for the fourth quarter of 2007 was positively impacted by a stock-based compensation recovery of $15.1 million, compared with an expense of $3.4 million recorded in the fourth quarter of 2006. The recovery arose due to a decline in the price of the Company's common shares over this period. The fourth quarter of 2007 also reflects the recognition of substantively enacted income tax rate reductions in Canada. During the fourth quarter of 2007, a future income tax recovery of $14.2 million arose on the application of the income tax rate reductions on opening future income tax liability balances.

Operating activity levels declined in Canada in the fourth quarter of 2007, with both drilling operating days and well servicing hours down compared with the fourth quarter of 2006. The issues and uncertainty characterizing the Canadian market in the first three quarters of 2007 continued into the fourth quarter of 2007. Operators reduced drilling activity in the fourth quarter of 2007 compared with the fourth quarter of 2006 as a bearish outlook for natural gas commodity prices, a strong Canadian dollar and pending royalty regime changes in Alberta weighed on the economics of their WCSB based plays. As well, industry-wide equipment utilization levels were negatively impacted as the average number of drilling rigs available in Western Canada peaked in the fourth quarter of 2007. Partially offsetting the negative short-term outlook surrounding the natural gas market, the Company's coring division performed strongly during the fourth quarter of 2007, benefiting from the addition of nine oil sands coring rigs earlier in the year. The Company also deployed a newly constructed ADR™, operating under a long-term contract in northern Alberta, and one well servicing rig during the fourth quarter of 2007.

The Company's United States oilfield services division delivered solid financial results during the fourth quarter of 2007, increasing revenue eight percent compared with the fourth quarter of 2006. Although the United States market showed some signs of softening in the fourth quarter of 2007, the Company benefited from the addition of the latest generation of ADRs whose long-term contracts provided some protection from short-term pricing pressure. During the fourth quarter of 2007, the Company delivered the remaining two rigs of its 13 ADR™ build program and purchased two additional well servicing rigs for its Rocky Mountain-based well servicing division.

Internationally, the Company completed the construction of a deep capacity drilling rig, and commenced operation of this rig in the Middle East in the fourth quarter of 2007. The second of two ADRs transferred from Canada also commenced operations in Australia in the three months ended December 31, 2007. As of December 31, 2007, the international oilfield services division was completing the construction of two additional drilling rigs, one of which will operate in the Middle East and one in Africa.

Outstanding Share Data

The following common shares and stock options were outstanding as of March 17, 2008:

	Number	Amount ($thousands)
Common shares	153,053,378	167,789
	Outstanding	Exercisable
Stock options	9,436,200	3,438,700

Outlook

There continues to be much uncertainty surrounding the outlook for Canadian oilfield services in 2008. The combined impact of weaker natural gas prices, a stronger Canadian dollar, the uncertainty associated with proposed changes to the Alberta royalty regime and an expanded fleet of equipment in the industry has negatively impacted the overall short term prospects for the Canadian oilfield services industry. While natural gas prices have recovered somewhat in recent weeks, it remains to be seen if such a recovery is sustainable over the longer term given the currently negative outlook for the United States economy. Despite all of the negative factors, the Company started 2008 with Canadian utilization that has, so far, exceeded earlier expectations. In fact, the Canadian division could have been more active in the first quarter of 2008 had the Company not been crew constrained. The relatively good start to the year in Canada has not added much clarity to the remainder of 2008. The Company still feels that there will be reduced levels of activity within the industry over the next several quarters before the overall business climate in the Canadian oilfield services industry begins to recover. The Company has taken steps to keep its share of the work and optimize margins through stringent control over costs.

The United States oilfield services market is also governed by the overall supply and demand of natural gas. The current market appears to be adequately supplied with equipment and there remain select opportunities to introduce new, fit-for-purpose equipment with expanded technical capabilities into the United States. The Company recently added 13 new ADRs to its United States fleet and 2008 will be the first full year of contributions from the expanded drilling rig fleet. The Company expects that 2008 will be a relatively stable year for its United States operations with select opportunities to introduce new equipment into the market, a market the Company has been involved in for over 13 years.

The Company's established position in the international oilfield services market qualifies it for many bidding opportunities that are under consideration. The three larger capacity drilling rigs recently constructed and put into service will have a meaningful impact on the Company's international operations in 2008. Additionally, the Company began construction in early 2008 of six ADRs that are slated for operations in the Middle East and Africa, representing the largest expansion of the Company's international-based ADR™ fleet to date. It is anticipated that the new ADRs will be delivered over the November 2008 to May 2009 time frame, at which point these new builds will begin contributing to the financial results of the Company's international oilfield services division. Growth prospects for the Company's international division remain solid in the coming year.

The Company's geographic diversification began in 1994 with its entrance into the United States oilfield services market and continued in 2002 with the Company's first international acquisition outside of North America. The strategic importance of the Company's diversification outside of Canada is underscored by the overall reduction in the Canadian oilfield services activity that began in late 2006 and continued into 2007. An over supply of equipment in the Canadian market has now resulted in many of the Company's competitors looking for new markets to redeploy idle Canadian equipment. In this regard, the Company enjoys the competitive advantage of having an infrastructure in place to understand and accommodate the needs of markets outside of Canada. The Company will continue to exploit this advantage in the future and lessen its exposure to the cyclicality of any one particular market segment.

Critical Accounting Estimates

This MD&A is based on the Company's consolidated financial statements that have been prepared in accordance with GAAP. The Company's significant accounting policies are described in Note 2 to the consolidated financial statements. The preparation of the consolidated financial statements requires that certain estimates and judgments be made in regard to the reported amount of revenues and expenses and the carrying values of assets and liabilities. These estimates are based on historical experience and management's judgment. Anticipating future events involves uncertainty and consequently the estimates used by management in the preparation of the consolidated financial statements may change as future events unfold, additional experience is acquired, or the environment in which the Company operates changes.

The accounting estimates considered to have the greatest impact on the Company's consolidated financial results are as follows:

Depreciation

Depreciation of the Company's property and equipment incorporates estimates of useful lives and residual values. These estimates may change as more experience is obtained or as general market conditions change, both of which could impact the operation of the Company's property and equipment.

Long-lived Assets

The carrying value of the Company's property and equipment is periodically reviewed for impairment or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. This requires the Company to forecast future cash flows to be derived from the utilization of these assets based on assumptions about future operating conditions. These assumptions may change as more experience is obtained or as general market conditions change.

Taxation

The Company follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective tax bases. The Company establishes valuation allowances to offset future income tax assets when utilization of such tax assets is uncertain. Assessing the realization of future income tax assets includes consideration of tax planning arrangements and estimates of future taxable income. Changes in circumstances and assumptions underlying these considerations may require changes to the valuation allowances recorded to date.

Recent Accounting Pronouncements

Inventories

As of January 1, 2008, the Company is required to adopt the CICA Handbook Section 3031 "Inventories", which will replace the existing inventories standard. The new standard requires inventory to be valued on a 'first-in, first out' or weighted average basis, which is consistent with the Company's current treatment. The new standard also requires fixed and variable production overheads that are incurred in converting materials into finished goods be allocated to the cost of inventory on a systematic basis. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

Financial Instruments

As of January 1, 2008, the Company is required to adopt the CICA Handbook Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation", which replace Section 3861 "Financial Instruments – Disclosure and Presentation". The new sections revise and enhance financial instruments disclosure requirements and place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Company manages those risks. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

Capital Disclosures

As of January 1, 2008, the Company is required to adopt the CICA Handbook Section 1535 "Capital Disclosures". The new section requires an entity to disclose information about an entity's capital and how it is managed. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

Disclosure Controls

The Company's management, including the President and Chief Operating Officer and Executive Vice President Finance and Chief Financial Officer, has reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Multilateral Instrument 52-109 issued by the Canadian securities regulators) as of December 31, 2007. Management has concluded that, as of December 31, 2007, the disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities to allow timely decisions regarding required disclosure.

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. There have been no changes in the Company's internal controls over financial reporting during the year that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Risks and Uncertainties

Oil and Natural Gas Prices

The most significant factors affecting the business of the Company are oil and natural gas commodity prices. Commodity price levels affect the capital programs of energy exploration and production companies, as the price they receive for the crude oil and natural gas they produce has a direct impact on the cash flow available to them and subsequent demand for oilfield services provided by the Company. Crude oil and natural gas prices have been volatile in recent years, and may continue to be so as weather conditions, government regulation, political and economic environments, pipeline capacity, storage levels and other factors outside of the Company's control continue to influence commodity prices. Demand for the Company's services in the future will continue to be influenced by commodity prices and the resultant impact on the cash flow of its customers, and may not be reflective of historical activity levels.

Foreign Operations

The Company provides oilfield services throughout much of North America and internationally in a number of onshore drilling areas. The Canadian and United States regulatory regimes are stable and, in general, supportive of energy industry activity. Internationally, the Company's operations are subject to regulations in various jurisdictions and support of the oil and natural gas industry can vary in these jurisdictions. In general, the Company negotiates long-term service contracts for drilling services in international areas and these contracts usually include early termination clauses and other clauses for the Company's protection.

Foreign Exchange Exposure

The Company's consolidated financial statements are presented in Canadian dollars. Operations in countries outside of Canada result in foreign exchange risk to the Company. The principal foreign exchange risk relates to the conversion of United States-dollar and Australian-dollar denominated activity to Canadian dollars. The Canada/United States dollar exchange rate at December 31, 2007, was 0.9913, compared with 1.1654 at December 31, 2006. The Canada/Australian dollar exchange rate at December 31, 2007, was 0.8670, compared with 0.9187 at December 31, 2006. The Company's United States and international operations are considered self-sustaining for foreign currency translation purposes. Fluctuations in future exchange rates will impact the Canadian dollar equivalent of the results reported by foreign subsidiaries.

Changes in Laws and Regulations

The Company and its customers are subject to numerous laws and regulations governing its operations and the exploration and development of crude oil and natural gas, including environmental regulation. Existing and expected environmental legislation and regulations may increase the costs associated with providing oilfield services, as the Company may be required to incur additional operating costs or capital expenditures in order to comply with any new regulations. The costs of complying with increased environmental and other regulatory changes in the future, such as proposed royalty regime changes, may also have an adverse effect on the cash flows of the Company's customers and may dampen demand for oilfield services provided by the Company.

Seasonality

The Company's Canadian oilfield services operations are impacted by weather conditions that hinder the Company's ability to move heavy equipment. The timing and duration of spring break-up, during which time the Company is prohibited from moving heavy equipment on secondary roads, restricts movement of equipment in and out of certain areas, thereby negatively impacting equipment utilization levels. Further, the Company's activities in certain areas in northern Canada are restricted to winter months when the ground is frozen solid enough to support the Company's equipment. This seasonality is reflected in the Company's operating results, as rig utilization is normally at its lowest during the second and third quarters of the year. The Company continues to mitigate the impact of Canadian weather conditions through expansion into markets not subject to the same seasonality and by working with customers in planning the timing of their drilling programs.

Workforce

The Company's operations are dependent on attracting, developing and maintaining a skilled workforce. During periods of peak activity levels, the Company may be faced with a lack of personnel to operate its equipment. The Company is also faced with the challenge of retaining its most experienced employees during periods of low utilization, while maintaining a cost structure that varies with activity levels. To mitigate these risks, the Company has developed an employee recruitment and training program, and continues to focus on creating a work environment that is safe for its employees.

Operating Risks and Insurance

The Company's operations are subject to risks inherent in the oilfield services industry. The Company carries insurance to cover the risk to its equipment and people, and each year the Company reviews the level of insurance for adequacy. Although the Company believes its level of insurance coverage to be adequate, there can be no assurance that the level of insurance carried by the Company will be sufficient to cover all potential liabilities.

OPERATING DIVISIONS SUMMARY

		Fleet Size	
Division	Geographic Coverage	**2007**	2006
Ensign Drilling Partnership			
Ensign Canadian Drilling	Central and northern Alberta/northeast British Columbia	**89**	92
Champion Drilling	Southern Alberta and southwest Saskatchewan	**41**	42
Big Sky Drilling	Southeast Saskatchewan	**23**	23
Encore Coring & Drilling	Western Canada and the Yukon Territory	**38**	29
Rockwell Servicing Partnership	Western Canada – well servicing rigs/coiled tubing units	**116**	114
Enhanced Petroleum Services Partnership			
Enhanced Drill Systems	Western Canada – underbalanced drilling units	**18**	18
Cheechako Camps & Catering	Western Canada – camps	**39**	25
Opsco Energy Industries Ltd.	Western Canada		
Wireline units		**38**	39
Production testing units		**49**	49
Ensign United States Drilling Inc.	United States Rocky Mountain region	**57**	46
Ensign United States Drilling (California) Inc.	California and Nevada	**19**	18
Opsco Energy Industries (USA) Ltd.	United States Rocky Mountain region		
Production testing units		**14**	12
Ensign Well Services Inc. [2]	United States Rocky Mountain region – well servicing rigs	**14**	11
Ensign Energy Services International Limited	Australia, New Zealand, Southeast Asia, Africa,		
	Argentina, the Middle East	**39**	36
Ensign de Venezuela C.A.	Venezuela – drilling and workover rigs	**10**	11
Ensign del Ecuador C.A. [1]		**–**	–

1 During the second quarter of 2006 the two workover rigs owned by Ensign del Ecuador were transferred to Ensign Energy Services International Limited.

2 Statistics include information related to the one well servicing rig owned and operated by Ensign United States Drilling (California) Inc.

In addition to the divisions noted above, the Company has three equipment rental divisions (Chandel Equipment Rentals, Rocky Mountain Oilfield Rentals and West Coast Oilfield Rentals) and two manufacturing facilities (Opsco Energy Industries Ltd. and Hi-Calibre Industries Ltd.).

Wells Drilled		Metres Drilled		Operating Days/Hours		Utilization (%)	
2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
1,447	1,678	**2,038,611**	2,541,280	**11,920**	16,997	**36.0**	52.1
1,786	2,175	**1,586,932**	1,857,365	**5,509**	7,608	**36.4**	49.6
384	565	**718,862**	982,767	**4,417**	5,354	**53.2**	65.9
333	377	**216,174**	259,570	**2,200**	2,730	**16.0**	26.6
n.a.	n.a.	n.a.	n.a.	**168,313**	206,951	**40.4**	49.0
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1,457	1,292	**3,459,756**	3,027,777	**14,365**	13,103	**75.8**	79.0
743	895	**664,633**	768,968	**4,745**	5,149	**69.6**	79.5
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
n.a.	n.a.	n.a.	n.a.	**26,494**	21,383	**61.3**	67.5
304	258	**473,798**	428,033	**7,112**	6,348	**50.7**	49.3
136	136	**325,742**	373,680	**2,179**	2,647	**59.7**	68.0
–	–	**–**	–	**–**	156	**–**	43.1

CORPORATE GOVERNANCE

The Company's Board of Directors exercises overall responsibility for the management and supervision of the affairs of the Company. This includes the appointment of the Company's President, approval of compensation for senior executives and monitoring of the President's and management's performance.

The Board of Directors has established procedures that prescribe the requirements governing the approval of transactions carried out in the course of the Company's operations, the delegation of authority and the execution of documents on behalf of the Company.

The Board of Directors reviews and approves the Company's annual operating budget, ensuring market conditions, as well as strategic thinking, is properly reflected in the short-term goals of each of the Company's operating divisions.

The Board of Directors is currently composed of 10 directors. Mr. N. Murray Edwards, Mr. Selby Porter and Mr. Robert H. Geddes, Ensign's Chairman, Vice Chairman, and President and Chief Operating Officer respectively, are the only Board members who are also members of the Company's management. The Board of Directors annually appoints members to Board committees in the following three areas: Audit, Corporate Governance and Nominations, and Compensation. All of these committees are comprised entirely of independent directors.

Audit Committee

The Audit Committee reviews, reports and provides recommendations to the Board of Directors on the annual and interim consolidated financial statements and on the integrity of the financial reporting of the Company. In addition, the adequacy of the Company's processes for identifying and managing financial risk, the adequacy of the Company's internal control system, the appointment, terms of engagement, provision of non-audit services and proposed fees of the Company's independent external auditor are also areas in which this committee reviews, reports and provides recommendations to the Board of Directors.

Corporate Governance and Nominations Committee

The Corporate Governance and Nominations Committee is responsible for reviewing, reporting and providing recommendations for improvement to the Board of Directors with respect to all aspects of corporate governance. The Corporate Governance and Nominations Committee, on a periodic basis, assesses the effectiveness of the Board of Directors as a whole, the committees of the Board and the contributions of individual members. This committee also identifies and recommends to the Board individuals qualified to become Directors of the Company.

Compensation Committee

The Compensation Committee reviews and approves compensation of the Company's senior management. In addition, this committee is responsible for reviewing succession plans and the compensation policy for all other employees. This committee also has the authority to grant stock options to employees (other than grants to senior officers and "insiders", which are approved by the Board of Directors) pursuant the Company's Stock Option Plan.

Additional details regarding the Company's corporate governance may be found in the "Statement of Corporate Governance Practices" included in the Information Circular for the Company's upcoming Annual and Special Meeting of Shareholders to be held on May 21, 2008.

MANAGEMENT'S REPORT

The consolidated financial statements and other information contained in the annual report are the responsibility of the management of the Company. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles consistently applied, using management's best estimates and judgements, where appropriate.

Preparation of financial statements is an integral part of management's broader responsibilities for the ongoing operations of the Company. Management maintains a system of internal accounting controls to ensure that properly approved transactions are accurately recorded on a timely basis and result in reliable financial statements. The Company's external auditors are appointed by the shareholders. They independently perform the necessary tests of the Company's accounting records and procedures to enable them to express an opinion as to the fairness of the consolidated financial statements, in conformity with Canadian generally accepted accounting principles.

The Audit Committee, which is comprised of independent Directors, meets with management and the Company's external auditors to review the consolidated financial statements and reports on them to the Board of Directors. The consolidated financial statements have been approved by the Board of Directors.

Robert H. Geddes
President and Chief Operating Officer

Glenn Dagenais
Executive Vice President Finance and Chief Financial Officer

March 14, 2008

AUDITORS' REPORT

To the Shareholders of Ensign Energy Services Inc.

We have audited the consolidated balance sheets of Ensign Energy Services Inc. as at December 31, 2007 and 2006 and the consolidated statements of income and retained earnings, cash flows, comprehensive income and accumulated other comprehensive income for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

March 14, 2008

CONSOLIDATED BALANCE SHEETS

As at December 31, 2007 and 2006

(in thousands of dollars)	**2007**	2006
Assets		
Current assets		
Cash and cash equivalents	**$ 1,940**	$ 14,570
Accounts receivable	**301,721**	365,075
Inventory and other	**89,752**	77,228
Future income taxes (note 5)	**2,367**	11,010
	395,780	467,883
Property and equipment (note 3)	**1,390,780**	1,294,266
	$ 1,786,560	$ 1,762,149
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 177,595**	$ 241,976
Operating lines of credit (note 4)	**117,969**	69,989
Current portion of stock-based compensation	**8,056**	33,818
Income taxes payable	**19,265**	46,783
Dividends payable	**12,623**	12,155
	335,508	404,721
Stock-based compensation	**4,723**	17,999
Future income taxes (note 5)	**202,123**	231,824
	542,354	654,544
Shareholders' Equity		
Capital stock (note 6)	**167,599**	154,838
Accumulated other comprehensive income (note 2)	**(97,588)**	(20,163)
Retained earnings	**1,174,195**	972,930
	1,244,206	1,107,605
Contingencies and commitments (note 10)		
	$ 1,786,560	$ 1,762,149

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors

N. Murray Edwards, *Director*

Robert H. Geddes, *Director*

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

For the years ended December 31, 2007 and 2006

(in thousands of dollars, except per share data)	**2007**	2006
Revenue		
Oilfield services	**$ 1,577,601**	$ 1,807,230
Expenses		
Oilfield services	**1,054,334**	1,161,213
Depreciation	**92,636**	80,921
General and administrative	**55,089**	52,683
Stock-based compensation	**(7,383)**	(6,050)
Interest	**5,249**	5,127
	1,199,925	1,293,894
Income before income taxes	**377,676**	513,336
Income taxes (note 5)		
Current	**142,846**	131,436
Future	**(14,935)**	40,616
	127,911	172,052
Net income for the year	**249,765**	341,284
Retained earnings – beginning of year, as originally reported	**972,930**	674,151
Transition adjustment on adoption of financial instruments standard (note 2)	**714**	–
Retained earnings – beginning of year, as restated	**973,644**	674,151
Dividends (note 6)	**(49,214)**	(42,505)
Retained earnings – end of year	**$ 1,174,195**	$ 972,930
Net income per share (note 6)		
Basic	**$ 1.64**	$ 2.25
Diluted	**$ 1.62**	$ 2.18

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2007 and 2006

(in thousands of dollars)	**2007**	2006
Cash provided by (used in)		
Operating activities		
Net income for the year	**$ 249,765**	$ 341,284
Items not affecting cash		
Depreciation	**92,636**	80,921
Stock-based compensation, net of cash paid	**(31,418)**	(42,648)
Future income taxes	**(14,935)**	40,616
Cash provided by operating activities before the change in non-cash working capital	**296,048**	420,173
Net change in non-cash working capital (note 8)	**13,099**	(25,016)
	309,147	395,157
Investing activities		
Net purchase of property and equipment	**(271,984)**	(325,483)
Net change in non-cash working capital (note 8)	**(54,168)**	40,053
	(326,152)	(285,430)
Financing activities		
Net increase (decrease) in operating lines of credit	**47,980**	(95,790)
Issue of capital stock	**5,141**	6,556
Dividends (note 6)	**(49,214)**	(42,505)
Net change in non-cash working capital (note 8)	**468**	4,589
	4,375	(127,150)
Decrease in cash and cash equivalents during the year	**(12,630)**	(17,423)
Cash and cash equivalents – beginning of year	**14,570**	31,993
Cash and cash equivalents – end of year	**$ 1,940**	$ 14,570
Supplemental information		
Interest paid	**$ 5,683**	$ 5,358
Income taxes paid	**$ 170,364**	$ 108,958

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2007 and 2006

(in thousands of dollars)		**2007**		2006
Net income for the year	**$**	**249,765**	$	341,284
Other comprehensive income				
Foreign currency translation adjustment		**(77,425)**		19,058
Comprehensive income	**$**	**172,340**	$	360,342

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME

For the years ended December 31, 2007 and 2006

(in thousands of dollars)		**2007**		2006
Accumulated other comprehensive income – beginning of year	**$**	**(20,163)**	$	(39,221)
Foreign currency translation adjustment		**(77,425)**		19,058
Accumulated other comprehensive income – end of year	**$**	**(97,588)**	$	(20,163)

See accompanying notes to the consolidated financial statements.

1. Basis of consolidation and nature of business

The accompanying consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and include the accounts of Ensign Energy Services Inc. and its subsidiaries and partnerships (the "Company"), substantially all of which are wholly-owned. The Company carries on the business of providing oilfield services to the oil and natural gas industry in Canada, the United States and internationally.

2. Significant accounting policies

(a) Cash and cash equivalents

Cash and cash equivalents consists of cash and short-term investments with maturities of three months or less.

(b) Inventory

Inventory, comprised of drill pipe, spare rig parts and equipment, is recorded at the lower of cost and replacement cost.

(c) Property and equipment

Property and equipment is recorded at cost. Costs associated with equipment upgrades that result in increased capabilities or performance enhancements of property and equipment are capitalized. Costs incurred to repair or maintain property and equipment are expensed as incurred.

Depreciation is based on the estimated useful lives of the assets as follows:

Rigs and equipment		
Drilling rigs and related equipment	3,650 operating days	Unit-of-production (20% residual)
Well servicing rigs/coiled tubing units	24,000 operating hours	Unit-of-production (20% residual)
Heavy oilfield service equipment	15 years	Straight-line (20% residual)
Buildings	20 years	Straight-line
Automotive equipment	3 years	Straight-line (15% residual)
Office furniture and shop equipment	5 years	Straight-line

(d) Revenue recognition

Oilfield services revenue is recognized as services are rendered and when collectibility is reasonably assured. Losses are provided for in full when first determined.

(e) Foreign currency translation

Financial statements of the Company's self-sustaining United States and international subsidiaries are translated to Canadian dollars using the exchange rate in effect at the balance sheet date for all assets and liabilities, and at average rates of exchange during the year for revenues and expenses. Gains or losses resulting from these translation adjustments are included in accumulated other comprehensive income in shareholders' equity.

(f) Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective tax bases, using substantively enacted income tax rates. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period in which the change is substantively enacted.

(g) Stock-based compensation plan

The Company has an employee stock option plan that provides all option holders the right to elect to receive either common shares or a direct cash payment in exchange for the options exercised. The stock-based compensation plan is accounted for using the intrinsic value method. Under this method, the Company accrues a liability for stock options based on the excess of the market price of the Company's common shares over the exercise price. The accrued liability is adjusted on a quarterly basis for the effect of grants and exercises of stock options, as well as the effect of changes in the underlying price of the Company's common shares through charges or credits to stock-based compensation expense. Any consideration received on the exercise of stock options for common shares is credited to capital stock.

(h) Measurement uncertainty

Preparation of the Company's consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting years presented. Actual results could differ from these estimates.

(i) Change in accounting policies

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530 "Comprehensive Income", Section 3251 "Equity" and Section 3855 "Financial Instruments – Recognition and Measurement". As required by the new standards, prior periods have not been restated except to reclassify the cumulative translation adjustment balance.

(i) Comprehensive income

The new standards introduce comprehensive income, which consists of net income and other comprehensive income ("OCI"). For the Company, OCI is comprised entirely of the movement in the cumulative translation adjustment balance. The Company's consolidated financial statements now include Consolidated Statements of Comprehensive Income, which outline the components of comprehensive income.

The cumulative changes in OCI are included in accumulated other comprehensive income ("AOCI"), which is presented as a new category within shareholders' equity in the Consolidated Balance Sheets. The cumulative translation adjustment, formerly presented as a separate category within shareholders' equity, is now included in AOCI. The Company's consolidated financial statements now include Consolidated Statements of Accumulated Other Comprehensive Income, which provide the continuity of the AOCI balance.

(ii) Financial instruments

The financial instruments standard establishes the recognition and measurement criteria for financial assets and financial liabilities. All financial instruments are required to be measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on how the financial instruments have been classified in accordance with the standard. The adjustment to recognize financial instruments at fair value on the balance sheet on initial recognition was recorded as an adjustment to the opening balance of retained earnings.

(j) Recent accounting pronouncements

(i) Inventories

As of January 1, 2008, the Company is required to adopt the CICA Handbook Section 3031 "Inventories", which will replace the existing inventories standard. The new standard requires inventory to be valued on a first-in, first out or weighted average basis, which is consistent with the Company's current treatment. The new standard also requires fixed and variable production overheads that are incurred in converting materials into finished goods be allocated to the cost of inventory on a systematic basis. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

(ii) Financial instruments

As of January 1, 2008, the Company is required to adopt the CICA Handbook Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments - Presentation", which replace Section 3861 "Financial Instruments – Disclosure and Presentation". The new sections revise and enhance financial instruments disclosure requirements and place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Company manages those risks. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

(iii) Capital disclosures

As of January 1, 2008, the Company is required to adopt the CICA Handbook Section 1535 "Capital Disclosures". The new section requires an entity to disclose information about its capital and how it is managed. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

3. Property and equipment

	Cost	Accumulated Depreciation	Net Book Value
		2007	
Rigs and related equipment	**$ 1,774,126**	**$ 432,645**	**$ 1,341,481**
Automotive and other equipment	**51,125**	**25,553**	**25,572**
Land and buildings	**29,209**	**5,482**	**23,727**
	$ 1,854,460	**$ 463,680**	**$ 1,390,780**
		2006	
Rigs and related equipment	$ 1,605,368	$ 362,673	$ 1,242,695
Automotive and other equipment	50,754	23,622	27,132
Land and buildings	28,709	4,270	24,439
	$ 1,684,831	$ 390,565	$ 1,294,266

Property and equipment includes equipment under construction of $51,097 (2006 – $152,927) that has not yet been subject to depreciation.

4. Operating lines of credit

The utilized balances of the Company's operating lines of credit as at December 31, 2007 and 2006 are as follows:

		2007	2006
Canada	Operating line of credit at the bank prime interest rate or bankers' acceptance rate/LIBOR plus 0.85%.	**$ 56,102**	$ 59,386
Australia	Operating line of credit at the bank bill swap rate plus 0.575%.	**42,793**	10,603
United States	Operating line of credit at the bank prime interest rate or LIBOR plus 0.85% (2006 – 0.825%).	**19,074**	–
		$ 117,969	$ 69,989

The amount available under the Canadian dollar operating line is $185,000 (2006 – $185,000). Collateral for the Canadian dollar operating line of credit consists of a demand debenture.

At December 31, 2007, the Company had an available Australian-based operating line of credit with a combined limit of $57,655 (AUD$66,500). A portion of the Australian-based operating line of credit may be drawn in United States dollar-denominated advances, up to USD$38,000, provided the total amount outstanding does not exceed the combined limit of AUD$66,500. At December 31, 2006, the amount available under the Australian dollar operating line of credit was $27,837 (AUD$30,300). The amount available under the Australian dollar operating line of credit is reduced by the balance of outstanding bank guarantees, which shall not exceed AUD$10,000. The Company had outstanding bank guarantees in the amount of $3,201 (AUD$3,692) and $5,879 (AUD$6,400) at December 31, 2007 and December 31, 2006, respectively. The Australian dollar operating line of credit is unsecured.

At December 31, 2007, the amount available under the United States dollar operating line of credit is $49,565 (USD$50,000). At December 31, 2006, the amount available under the United States dollar operating line of credit was $19,812 (USD$17,000). The amount available under the United States dollar operating line of credit is reduced by the balance of outstanding letters of credit, which shall not exceed USD$10,000. The Company had issued letters of credit in the amount of $6,731 (USD$6,790) and $6,594 (USD$5,658) at December 31, 2007 and December 31, 2006, respectively. The United States dollar operating line of credit is secured by a perfected first-priority lien on, and security interest in, all of the assets of certain of the Company's United States subsidiaries.

5. Income taxes

The temporary differences comprising the net future income tax liability as at December 31, 2007 and 2006 are as follows:

	2007	2006
Property and equipment	**$ 179,838**	$ 171,368
Partnership timing differences	**39,636**	80,363
Stock-based compensation	**(3,755)**	(16,869)
Non-capital losses	**(11,994)**	(6,868)
Capital losses	**(783)**	(941)
Other	**(5,763)**	(7,803)
Net future income tax liability before valuation allowance	**197,179**	219,250
Valuation allowance related to non-capital losses	**2,577**	1,564
Net future income tax liability	**$ 199,756**	$ 220,814
Future income tax liability	**$ 202,123**	$ 231,824
Future income tax asset	**(2,367)**	(11,010)
Net future income tax liability	**$ 199,756**	$ 220,814

A significant portion of the Company's taxable income in Canada is generated by partnerships. Income taxes are incurred on the partnerships' taxable income in the year following their inclusion in the Company's consolidated net income.

At December 31, 2007, the Company had non-capital losses of $39,981 (2006 – $22,876), of which $39,968 has no expiry. The remaining $13 of non-capital losses expires at various times between 2010 and 2026.

The provision for income taxes is different from the expected provision for income taxes using combined Canadian federal and provincial income tax rates for the following reasons:

	2007	2006
Income before income taxes	**$ 377,676**	$ 513,336
Income tax rate	**33.14%**	33.6%
Expected income tax expense	**125,162**	172,481
Increase (decrease) resulting from:		
Higher effective income tax rate on foreign operations	**12,588**	7,637
Non-deductible stock-based compensation	**2,709**	3,800
Settlement of Oman tax assessments	**3,783**	–
Non-deductible expenses	**1,681**	582
Foreign tax credits not recognized	**572**	707
Capital taxes	**529**	400
Other	**(2,686)**	2,076
Rate reduction on future income taxes	**(16,427)**	(15,631)
	$ 127,911	$ 172,052
Effective income tax rate	**33.9%**	33.5%

The Company's Oman operating entity had previously received income tax assessments for the 1994, 1995 and 1996 financial years. The Company was appealing these assessments on the basis that they were without merit under Omani law and had not previously recognized income tax expense associated with these assessments. The Company's appeal was dismissed during the year ended December 31, 2007. Current income tax expense for the year ended December 31, 2007 includes $3,783 (2006 - $nil) related to this matter.

In 2006, the federal and several provincial governments substantively enacted various reductions to corporate income tax rates. The Government of Canada introduced income tax rate reductions that will gradually decrease the federal corporate income tax rate from 21 percent to 18.5 percent from 2006 to 2011. The federal corporate surtax will be eliminated in 2008. The Government of Alberta introduced an income tax rate reduction implemented on April 1, 2006 that decreased the provincial corporate income tax rate from 11.5 percent to 10 percent. The Government of Saskatchewan introduced income tax rate reductions to be implemented over three years that will decrease the provincial corporate income tax rate from 14 percent to 12 percent.

In 2007, the Government of Canada enacted further corporate income tax rate reductions. The Government of Canada accelerated the period over which previous reductions are to be implemented and further reduced corporate income tax rates to 15 percent by 2012. The Government of Manitoba also introduced an income tax rate reduction to be implemented July 1, 2008 that will decrease the provincial corporate income tax rate from 14 percent to 13 percent. The application of all these income tax rate reductions on opening income tax balances has been reflected as a reduction in future income tax expense in the period in which the changes were substantively enacted.

6. Capital stock

(a) Authorized

Unlimited common shares

Unlimited preferred shares, issuable in series

(b) Outstanding

	2007		2006	
	Number of Common Shares	**Amount**	Number of Common Shares	Amount
Balance – beginning of year	**152,267,928**	**$154,838**	151,412,328	$136,972
Issued under employee stock option plan	**773,450**	**12,761**	855,600	17,866
Balance – end of year	**153,041,378**	**$167,599**	152,267,928	$154,838

(c) Options

The Company may grant options to its employees for up to 13,182,824 (2006 – 13,956,274) common shares. The options' exercise price equals the market price of the Company's common shares on the date of grant. Stock options granted vest evenly over a period of five years. A summary of the Company's stock option plan as at December 31, 2007 and 2006, and the changes for the years then ended, is presented below:

	2007		2006	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding – beginning of year	**11,112,100**	**$ 13.16**	11,670,700	$ 9.36
Granted	**2,637,500**	**19.69**	2,769,500	22.92
Exercised for common shares	**(773,450)**	**(6.65)**	(855,600)	(7.66)
Exercised for cash	**(2,403,300)**	**(7.32)**	(2,355,900)	(7.95)
Forfeited	**(917,400)**	**(17.05)**	(116,600)	(10.18)
Outstanding – end of year	**9,655,450**	**$ 16.55**	11,112,100	$ 13.16
Exercisable at December 31	**2,725,250**	**$ 13.34**	3,731,000	$ 8.32

Exercise Price	Options Outstanding	Vesting Remaining (in years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$8.75 to $11.05	2,810,850	0.66	$ 10.38	1,570,850	$ 10.28
$13.50 to $18.85	2,167,100	1.49	14.03	669,600	13.55
$19.88 to $23.33	4,677,500	2.47	21.42	484,800	22.93
	9,655,450	1.72	$ 16.55	2,725,250	$ 13.34

(d) Common share dividends

During the year ended December 31, 2007, the Company declared dividends of $49,214 (2006 – $42,505), being $0.3225 per common share (2006 – $0.28 per common share).

(e) Net income per share

Net income per share is calculated by dividing net income by the weighted average number of common shares outstanding during the year. Diluted net income per share is calculated using the treasury stock method, which assumes that all outstanding stock options are exercised, if dilutive, and the assumed proceeds are used to purchase the Company's common shares at the average market price during the year.

The weighted average number of common shares outstanding for the years ended December 31, 2007 and 2006 are as follows:

	2007	2006
Weighted average number of common shares outstanding – basic	**152,517,446**	151,774,629
Weighted average number of common shares outstanding – diluted	**154,306,152**	156,228,713

Stock options of 4,798,000 (2006 – 2,769,500) were excluded from the calculation of diluted weighted average number of common shares outstanding as the options' exercise price was greater than the average market price of the common shares for the year.

7. Segmented information

The Company operates in three geographic areas within one industry segment. Oilfield services are provided in Canada, the United States and internationally. The amounts related to each geographic area are as follows:

	Canada	United States	International	Total
		2007		
Revenue	**$ 777,228**	**$ 555,072**	**$ 245,301**	**$ 1,577,601**
Property and equipment, net	**$ 773,491**	**$ 331,069**	**$ 286,220**	**$ 1,390,780**
Capital expenditures, net	**$ 45,620**	**$ 158,227**	**$ 68,137**	**$ 271,984**
Depreciation	**$ 49,910**	**$ 22,265**	**$ 20,461**	**$ 92,636**
		2006		
Revenue	$ 1,074,491	$ 505,748	$ 226,991	$ 1,807,230
Property and equipment, net	$ 777,781	$ 255,431	$ 261,054	$ 1,294,266
Capital expenditures, net	$ 187,401	$ 126,285	$ 11,797	$ 325,483
Depreciation	$ 46,589	$ 14,314	$ 20,018	$ 80,921

During the year ended December 31, 2007, the Company earned revenue of $276,642 (2006 – $239,695) from a single customer. Revenues from this customer are reported within the Canada and United States geographic areas.

8. Supplemental disclosure of cash flow information

		2007		2006
Net change in non-cash working capital				
Accounts receivable	**$**	**63,354**	$	22,031
Inventory and other		**(12,524)**		(24,764)
Accounts payable and accrued liabilities		**(64,381)**		(4,708)
Income taxes payable		**(27,518)**		22,478
Dividends payable		**468**		4,589
	$	**(40,601)**	$	19,626
Relating to				
Operating activities	**$**	**13,099**	$	(25,016)
Investing activities		**(54,168)**		40,053
Financing activities		**468**		4,589
	$	**(40,601)**	$	19,626

9. Financial instruments

(a) Fair value

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and dividends payable approximate fair value due to the short-term nature of these instruments. The carrying value of the Company's operating lines of credit approximate fair value as they bear interest at floating market rates. The carrying amount of the liability for stock-based compensation approximates fair value as the liability is adjusted on a quarterly basis for the effect of changes in the underlying price of the Company's common shares.

(b) Credit risk

The Company is exposed to credit risk in relation to its accounts receivable at December 31, 2007 and 2006, which includes balances owing from a large number of customers operating primarily in the oil and natural gas industry. The Company assesses the credit worthiness of its customers on an ongoing basis and considers the credit risks on these amounts as normal for the industry.

(c) Interest rate risk

The Company's exposure to interest rate fluctuations is with respect to its operating lines of credit which bear interest at floating market rates.

10. Contingencies and commitments

The Company has indemnity guarantee facilities available in the amount of $8,670 (2006 – $11,024). At December 31, 2007, the Company has $3,201 (2006 – $5,879) outstanding in respect of these guarantees facilities.

The Company has provided bank guarantees to a government customs agency in Argentina in respect of the temporary importation of equipment into that country. At December 31, 2007, the guarantees amounted to $12,865 (2006 – $15,620).

The Company has commitments for office leases, with future minimum payments over the next five years as follows:

2008	$	2,951
2009		1,789
2010		1,240
2011		531
2012 and thereafter		1,541

ADDITIONAL INFORMATION

The Company

Ensign Energy Services Inc. was incorporated on March 31, 1987 pursuant to the provisions of the Business Corporations Act (Alberta). Pursuant to a prospectus, on December 15, 1987, the Company became a reporting issuer in the Province of Alberta.

Subsidiaries and Partnerships

The following table sets forth the principal operating subsidiaries of the Company, the percentage of shares owned, directly or indirectly, by the Company and the jurisdiction of incorporation or continuance of the subsidiaries as of December 31, 2007.

Name of Subsidiary	Jurisdiction of Incorporation or Continuance	Percentage of shares beneficially owned or controlled by the Company
Arctic Ensign Drilling Ltd.	Northwest Territories	49%
Artisan Corporation	Alberta	100%
Badge Services Inc.	Alberta	100%
Continuous Tubing Inc.	Alberta	100%
Ensign de Venezuela C.A.	Venezuela	100%
Ensign Drilling Inc.	Alberta	100%
Ensign Energy Services International Limited	Australia	100%
Ensign International Energy Services Inc.	Nevada	100%
Ensign United States Drilling Inc.	Colorado	100%
Ensign United States Drilling (California) Inc.	California	100%
Ensign Well Services Inc.	Colorado	100%
Gwich'in Ensign Oilfield Services Inc.	Northwest Territories	49%
Hi-Calibre Industries Ltd.	Alberta	100%
Oilfield Supply Inc.	Nevada	100%
Opsco Energy Industries Ltd.	Alberta	100%
Opsco Energy Industries (USA) Ltd.	Montana	100%
Rockwell Servicing Inc.	Alberta	100%

In addition to our subsidiaries noted above, we also have three partnerships within our corporate structure: (1) Ensign Drilling Partnership — Ensign Drilling Inc. and Artisan Corporation own 100% of Ensign Drilling Partnership, a partnership formed under the laws of the Province of Alberta for the purpose of carrying on our Canadian oil and natural gas well drilling operations; (2) Rockwell Servicing Partnership – Ensign Energy Services Inc., Leyen Oil Well Servicing Ltd., Rockwell Servicing Inc., Badge Services Inc. and Continuous Tubing Inc. own 100% of Rockwell Servicing Partnership, formed under the laws of the Province of Alberta for the purpose of carrying on our Canadian well servicing operations; and (3) Enhanced Petroleum Services Partnership – Ensign Drilling Inc. and Opsco Energy Industries Ltd. own 100% of Enhanced Petroleum Services Partnership, a partnership formed under the laws of the Province of Alberta for the purpose of carrying on our underbalanced drilling, oilfield equipment rentals and camps and catering businesses.

Recent Acquisitions

Date	Acquisition
January 2003	Acquired in Canada: the oilfield rental assets of Canadian Select Energy West, located in Whitecourt, Alberta.
November 2003	Acquired in Canada: Big Sky Drilling Ltd. (and its affiliated companies), which owned and operated eight drilling rigs based in Oxbow, Saskatchewan.
November 2003	Acquired in Canada: Hi-Calibre Industries Ltd., a commercial welding services provider based in Brooks, Alberta.
December 2003	Acquired in Canada: 11 well servicing rigs from Crown Well Servicing Ltd.
January 2004	Acquired in Canada and the United States: 23 specialty coring/drilling rigs from Layne Christensen Canada Limited.
October 2004	Acquired in Canada: 11 camps and associated catering assets from Slave Lake Rentals & Contracting Ltd.
January 2005	Acquired Internationally: Servicios Petroleros Flint, C.A. and Flintco del Ecuador C.A., which operated 11 drilling rigs and one workover rig in Venezuela and two workover rigs in Ecuador, from Flint South America, Inc.
April 2005	Acquired Internationally: three drilling rigs in Libya.
October 2005	Acquired in Canada: three coring/mineral rigs from Midnight Sun Drilling Co. Ltd.
November 2005	Acquired in the United States: Action Oil Field Services, Inc. which operated eight well servicing rigs in Colorado, from Petro-Canada Resources (USA) Inc.

10 YEAR FINANCIAL INFORMATION

($ thousands, except per share data and ratios)	**2007**	2006	2005	2004
Revenue	**1,577,601**	1,807,230	1,520,724	1,059,494
Gross margin	**523,267**	646,017	489,312	282,806
Gross margin % of revenue	**33.2%**	35.7%	32.2%	26.7%
Depreciation	**92,636**	80,921	74,917	50,956
Net income	**249,765**	341,284	169,665	118,849
Net income per share				
Basic	**$1.64**	$2.25	$1.12	$0.79
Diluted	**$1.62**	$2.18	$1.09	$0.77
Funds from operations	**296,048**	420,173	337,186	188,723
Funds from operations per share				
Basic	**$1.94**	$2.77	$2.23	$1.25
Diluted	**$1.92**	$2.69	$2.16	$1.23
Net capital expenditures – excluding acquisitions	**271,984**	325,483	247,696	138,091
Working capital (deficit)	**60,272**	63,162	(11,878)	14,209
Long-term debt, net of current portion	**–**	–	–	–
Shareholders' equity	**1,244,206**	1,107,605	771,902	649,740
Return on average shareholders' equity	**21.2%**	36.3%	23.9%	19.6%
Long-term debt to equity	**n.a.**	n.a.	n.a	n.a.
Weighted average common shares outstanding	**152,517,446**	151,774,629	151,202,388	150,793,628
Closing share price, December 31	**$15.25**	$18.39	$23.46	$12.55

All per share data and the weighted average common shares outstanding have been restated to reflect the 3-for-1 stock split effective May 2001 and the 2-for-1 stock split effective May 2006.

SHARE TRADING SUMMARY

For the Three Months Ended	High ($)	Low ($)	Close ($)	Volume	Value ($)
2007					
March 31	**20.02**	**17.26**	**19.35**	**26,404,313**	**493,233,028**
June 30	**23.49**	**18.15**	**19.00**	**38,739,332**	**787,478,405**
September 30	**20.28**	**17.50**	**18.78**	**21,128,178**	**403,250,862**
December 31	**18.92**	**13.92**	**15.25**	**28,885,457**	**466,414,519**
Total				**115,157,280**	**2,150,376,814**

2003	2002	2001	2000	1999	1998
928,960	651,768	767,669	672,041	372,322	418,919
245,082	153,443	221,319	186,017	98,240	127,999
26.4%	23.6%	28.8%	27.7%	26.4%	30.6%
44,209	39,170	29,184	26,525	22,733	20,516
99,030	51,743	100,828	86,999	29,837	48,790
$0.66	$0.35	$0.69	$0.60	$0.21	$0.36
$0.65	$0.35	$0.67	$0.59	$0.21	$0.36
173,390	100,064	132,087	105,903	62,526	73,053
$1.16	$0.68	$0.90	$0.73	$0.44	$0.54
$1.13	$0.67	$0.88	$0.71	$0.43	$0.53
101,504	63,060	71,033	45,826	45,380	(2,175)
(13,309)	(33,598)	76,560	51,817	37,755	43,637
–	7,689	–	14,938	29,805	44,823
563,659	475,476	432,059	338,654	257,168	261,901
19.1%	11.4%	26.1%	29.2%	11.5%	23.8%
n.a.	0.02:1	n.a.	0.04:1	0.12:1	0.17:1
150,009,718	148,394,304	147,346,804	145,639,716	142,502,574	135,489,762
$10.30	$8.33	$6.68	$9.25	$5.59	$2.25

For the Three Months Ended	High ($)	Low ($)	Close ($)	Volume	Value ($)
2006					
March 31	24.31	19.05	22.45	35,247,184	750,387,760
June 30	26.45	20.90	22.94	39,363,107	934,675,532
September 30	25.17	17.68	18.55	35,603,038	752,061,205
December 31	20.14	16.85	18.39	30,510,543	556,005,882
Total				140,723,872	2,993,130,379

All per share data has been restated to reflect the 2-for-1 stock split effective May 2006.

OPERATING MANAGEMENT

Canadian Oilfield Services

Jason Hager
Senior Vice President
Canadian Drilling

Bryan Toth
Senior Vice President
Canadian Well Services

Randy Mutch
Director of Information Technology

Siew-Peng Weldon
Manager, Taxation

Kimberley Reid
Compliance Manager

Dave Fyhn
Manager, Administration

Shelley Hutchinson
Manager, Credit

Trevor Russell
Divisional Controller

Engineering, Procurement and Construction

Wayne Kipp
Senior Vice President Operations
Engineering, Procurement
and Construction

Paul Meade-Clift
Vice President
Engineering, Procurement
and Construction

Bruce Freebairn
General Manager, Capital Projects
Engineering, Procurement
and Construction

Rick Dedels
Senior Engineer
Engineering, Procurement
and Construction

Ron Pettapiece
ADR Product Manager
Engineering, Procurement
and Construction

Arnet Pachal
Manager, Procurement Strategies
Engineering, Procurement
and Construction

Canadian Drilling

Rick Simonton
Vice President Marketing

Frank Pimiskern
Sales Manager

Larry Gates
Technical Sales Representative

Alex Halat
Technical Sales Representative

Gary Hoffman
Technical Sales Representative

Aaron Nosky
Technical Sales Representative

Tino Pollock
Technical Sales Representative

Jeff Mitton
Technical Sales Representative

Cindy Hames
Director – Field Personnel Resources

Sandi Berube
Personnel Manager

Donna Decoteau
Personnel Supervisor

Walter Hopf
Drillers Training Manager

Hank vanDrunen
Maintenance Manager

Donna Conley
Chief Accountant

Big Sky Drilling

Brian Chicoine
General Manager

Rick Mann
Operations Manager

Wade Benson
Drilling Superintendent

Mike Smith
Drilling Superintendent

Derek Smith
Drilling Superintendent

Guy Poirier
Safety Coordinator

Champion Drilling

Darryl Maser
General Manager

Matt Schmitz
Operations Manager

Paul Fitton
Drilling Superintendent

Todd Fritz
Drilling Superintendent

Dave Green
Drilling Superintendent

Gerald Huber
Drilling Superintendent

Glen Nielsen
Safety Coordinator

Ensign Canadian Drilling

Bob Zanusso
Vice President

Rick VanEe
General Manager

Roch Currier
General Manager

Manfred Behnke
Drilling Superintendent

Don Juska
Drilling Superintendent

Dale Leitner
Drilling Superintendent

Ed Mattie
Drilling Superintendent

Mike Noade
Drilling Superintendent

Darin Ramsell
Drilling Superintendent

Michael L'Hirondelle
Equipment Manager

Dennis Steinhubl
Safety Team Lead

Jan Badin
Safety Team Lead

Peter Ens
Equipment Coordinator

Encore Coring & Drilling

Tom Connors
Vice President and
General Manager

Scott Haggart
Operations Manager

Glenn Thiessen
Project Manager, Oil Sands

Frank Beaton
Drilling Superintendent

Trent Jamieson
Drilling Superintendent

Tom Gross
Drilling Superintendent

Artisan Trucking

David Surridge
General Manager

Kelly Alexander
Station Manager, Brooks

Scott Gordon
Station Manager, Red Deer

Rockwell Servicing

Lyle Aubin
Vice President and General Manager

Art Brunet
Northwest Area Manager

Doug Callbeck
Southeast Area Manager

Gary Bennett
Sales and Marketing Director

Sven Gebhardt
Sales Manager

Clint Russell
Technical Sales Representative

Daryl Sutherland
Technical Sales Representative

Scott Whitten
Technical Sales Representative

William Kidd
Senior Field Safety Coordinator

Diane Massey
Chief Accountant

Ardmore Station
Kevin Rudell
Station Manager

Tony Janz
Field Superintendent

Richard Norbert
Field Superintendent

Brooks Station
Vern Dornian
Station Manager

Dave Shpak
Field Superintendent

Wayne Lawson
Senior Sales Representative

Edmonton Station
Philip Kent
Station Manager

Doug Somers
Field Superintendent

Estevan Station
Patrick Renauld
Station Manager

David Blakeney
Field Superintendent

Grande Prairie Station
Cameron Ball
Station Manager

Don House
Field Superintendent

Brett Taylor
Field Sales Representative

Lloydminster Station
Roger Snider
Station Manager

Miles Kosteriva
Field Superintendent

Jason Pollom
Field Superintendent

Darwin Dean
Senior Sales Representative

Red Deer Station
R.J.Toth
Station Manager

Abe Shihinski
Field Superintendent

Ian Meredith
Field Sales Representative

Opsco Energy Industries Ltd.

Bob Dear
Vice President and General Manager

Buzz Bradley
Vice President Marketing and Business Development

Craig Delaney
Wireline Manager

Randy Reschke
Production Testing Manager

Richard Klymok
Senior Sales Representative

Dale Fuller
Sales Representative

Stephen Halladay
Sales Representative

Jim Bucek
Safety Coordinator

Chris Smith
Chief Accountant

Enhanced Petroleum Services

Jack Houston
Vice President

Randy Fasick
General Manager, Enhanced Drill Systems

Jason Darrow
General Manager, Cheechako Camps & Catering

Fred Slobodian
Station Manager, Chandel Equipment Rentals – Whitecourt

Chris Klovan
Sales and Marketing Representative

Kevin Lauritsen
Rentals Coordinator, Chandel Equipment Rentals – Oxbow

Donna Gleasure
Chief Accountant

Hi-Calibre Industries Ltd.

Jim Clow
General Manager

United States Oilfield Services

Tom Schledwitz
Senior Vice President United States Operations

Jim McCathron
Vice President, Operations

Will Matthews
Vice President, Marketing

Steve Hunt
Controller

Tuss Erickson
Director Health, Safety and Environment and Human Resources

Terry Wadding
United States HSE Field Manager

Evelyn Pottenger
Manager, Human Resources

Greg Burton
Sales Representative

OPERATING MANAGEMENT

Ensign United States Drilling Inc.

John Stoddard
Manager, Directional Support Services

Don Johnson
Area Manager

Larry Swisher
Area Manager

Hugh Giberson
Area Manager

Don Erickson
Senior Drilling Manager

Moe Felman
Drilling Manager

Don Molen
Drilling Manager

Bob Heil
Drilling Manager

Tim Henrich
Drilling Manager

K.L. Tipps
Drilling Manager

Ryan Hessler
Drilling Engineer

Brandon Lorenz
Drilling Engineer

Tuss Erickson III
Drilling Engineer

Mel Curtis
Equipment Manager

Perry Jundt
Drilling Superintendent

Jake Bicking
Accounting Manager

Ensign United States Drilling (California) Inc.

Matt Rohret
Area Manager

Larry Lorenz
Operations Manager

Ken Keiser
Drilling Manager

Kerry Fladeland
Drilling Superintendent

Bryan Watts
Drilling Superintendent

Jimmy Chon
Chief Accountant

Ensign Well Services Inc.

Bill Roper
Manager, Well Services

Guy Hass
District Manager

Dan Schandel
Financial Accountant

Opsco Energy Industries (USA) Ltd.

Chad Brown
General Manager

Ken McTavish
Technical Field Sales Representative

International Oilfield Services

Gene Gaz
Vice President of International Oilfield Services – Australasia/ Middle East/Africa

Mike Nuss
Vice President of International Oilfield Services – Latin America

John Bushell
Vice President, International Marketing

Tony Belgrove
International Manager, Procurement and Supply

Australasia/Middle East/Africa

Doug Lane
Operations Manager – Australia

Gerry West
Operations Manager – Southeast Asia, Qatar and New Zealand

Geoff Pickford
Operations Manager – Middle East and Africa

Matt Hutchins
Manager, Supply

David Grant
Manager, Health, Safety and Environment

David Kerr
Manager, Human Resources

Don Bell
Area Manager – Qatar

Dean Hills
Area Manager – Oman

Ed Milne
Area Manager – Thailand

Hayden Harper
Area Manager – Western Australia

Quentin Robson
Area Manager – Libya

Adrian Dragomirescu
Manager, Oil and Gas Division, Australia

Adam Watts
Manager, Coal Seam Methane and Well Servicing Division, Australia

Charlie Brown
Drilling Superintendent – Gabon

Andrew Dolman
Financial Controller

Latin America

Ricardo Lopez Olaciregui
Area Manager – Argentina

Paul Thompson
Area Manager – Venezuela

Mauricio Correa
Business and Development – Latin America North

Luis Bonsembiante
Controller

Project Flagship – ERP Implementation

Kirk Schroter
Project Manager

Yvonne Covey
Financial Subject Matter Expert

CORPORATE AND FIELD OFFICES

Big Sky Drilling
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Telephone: (306) 483-5132
Facsimile: (306) 483-2937

Champion Drilling
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Telephone: (403) 362-4400
Facsimile: (403) 362-6165

Encore Coring & Drilling
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Calgary, AB T2G 5N2
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Facsimile: (403) 243-6158

Whitehorse Office
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Whitehorse, YT Y1A 4L1
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Facsimile: (867) 633-5758

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Calgary, AB T2P 0L6
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Nisku Operations Centre
2000 Fifth Street
Nisku, AB T9E 7X3
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Grande Prairie Office
14011 – 97th Street
Grande Prairie, AB T8V 7B6
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Fort Nelson Office
4701 46 Avenue, Box 2408
Fort Nelson, BC V0C 1R0
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Facsimile: (250) 774-4515

Ensign United States Drilling Inc.
Suite 777, 1700 Broadway
Denver, CO 80290 USA
Telephone: (303) 292-1206
Facsimile: (303) 292-5843

Ensign United States Drilling (California) Inc.
7001 Charity Avenue
Bakersfield, CA 93308 USA
Telephone: (661) 589-0111
Facsimile: (661) 589-0283

Ensign Well Services Inc.
Suite 777, 1700 Broadway
Denver, CO 80290 USA
Telephone: (303) 292-1206
Facsimile: (303) 292-5843

Ensign Energy Services International Limited
15 -17 Westport Road
Elizabeth West
Adelaide, South Australia 5113
Telephone: 61 8 8255 3011
Facsimile: 61 8 8252 0272

Ensign International Energy Services Inc.
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Houston, TX 77032 USA
Telephone: (281) 227-7618

Ensign de Venezuela C.A.
Apartado Postal 214
El Tigre, Edo. Anzoategui, Venezuela
Telephone: 58 (283) 235-3752
Facsimile: 58 (283) 235-3752

Rockwell Servicing Partnership
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Calgary, AB T2P 0L6
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Facsimile: (403) 262-0026

Ardmore Office
Telephone: (780) 826-6464
Facsimile: (780) 826-4305

Brooks Office
Telephone: (403) 362-3346
Facsimile: (403) 362-6069

Edmonton Office
Telephone: (780) 462-4730
Facsimile: (780) 461-9676

Estevan Office
Telephone: (306) 634-5522
Facsimile: (306) 634-3238

Grande Prairie Office
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Facsimile: (780) 539-1993

Lloydminster Office
Telephone: (780) 875-5278
Facsimile: (780) 875-6402

Red Deer Office
Telephone: (403) 346-6175
Facsimile: (403) 343-6061

Opsco Energy Industries Ltd.
285175 Kleysen Way SE
Rocky View, AB T1X 0K1
Telephone: (403) 272-2206
Facsimile: (403) 272-6414

Opsco Energy Industries (USA) Ltd.
Suite 777, 1700 Broadway
Denver, CO 80290 USA
Telephone: (303) 292-1206
Facsimile: (303) 292-5843

Enhanced Petroleum Services Partnership
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Calgary, AB T2P 0L6
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Facsimile: (403) 264-9376

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Facsimile: (780) 461-9008

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#1 Highway 18
Oxbow, SK SOC 2B0
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Facsimile: (306) 483-2937

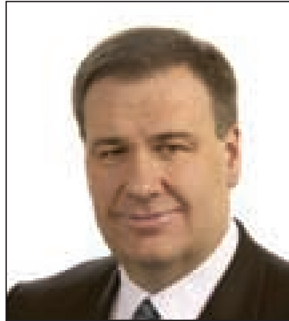
Red Deer Office
5398 – 39139 Hwy.2A
Red Deer, AB T4S 2B3
Telephone: (403) 314-1564
Facsimile: (403) 346-3099

Whitecourt Office
5907 – 45th Avenue
Whitecourt, AB T7S 1P2
Telephone: (780) 778-6101
Facsimile: (780) 778-6184

Hi-Calibre Industries Ltd.
Box 1264
Brooks, AB T1R 1C1
Telephone: (403) 501-0102
Facsimile: (403) 501-0191

DIRECTORS

Jack Donald [2]
Independent
Businessman
Board member since
June 1990



N. Murray Edwards
President, Edco
Financial Holdings Ltd.
Board member since
October 1989

Robert H. Geddes
President and COO,
Ensign Energy Services Inc.
Board member since
March 2007

James B. Howe [1,3]
President, Bragg Creek
Financial Consultants Ltd.
Board member since
June 1987

Len Kangas [2]
Independent
Businessman
Board member since
June 1990

Selby Porter
Vice Chairman,
Ensign Energy Services Inc.
Board member since
June 1994

John Schroeder [1,3]
Vice President Finance,
Parkland Income Fund.
Board member since
June 1990

Kenneth J. Skirka [2]
Independent
Businessman
Board member since
May 2003

Gail Surkan [3]
Independent
Businesswoman
Board member since
March 2006

Barth Whitham [1]
President and CEO,
Enduring Resources LLC
Board member
since March 2007

Committee Members

1 Audit
2 Corporate Governance and Nominations
3 Compensation

CORPORATE INFORMATION

Corporate Management

N. Murray Edwards
Chairman

Selby Porter
Vice Chairman

Robert H. Geddes
President and
Chief Operating Officer

Ed Kautz
Executive Vice President
United States and International
Operations

Glenn Dagenais
Executive Vice President
Finance and Chief Financial
Officer

Bruce Moyes
Vice President Finance

Rob Wilman
Vice President Health,
Safety and Environment

Leigh Kelln
Corporate Controller

Suzanne Davies
In-house Legal Counsel and
Associate Corporate Secretary

Head Office

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Website: www.ensignenergy.com

Bankers

Royal Bank of Canada
ATB Financial
Bank of Montreal
Wells Fargo Bank, N.A.
HSBC Bank Australia Limited

Auditors

PricewaterhouseCoopers LLP

Legal Counsel

Burnet, Duckworth & Palmer LLP

Stock Exchange Listing

Toronto Stock Exchange
Symbol: ESI

Transfer Agent

Computershare Trust Company
of Canada

Notice of Annual and Special Meeting

Ensign Energy Services Inc.'s Annual and Special Meeting of Shareholders will be held on May 21, 2008, at 3:00 pm MT at the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta.

All shareholders are invited to attend, but if unable, we request the form of proxy be signed and returned.

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ENERGY SERVICES INC.

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