

Production Enhancement Group, Inc.
TSX: WIS



WISE® Well Intervention Systems:
Faster, Safer, Economical
Offshore, Onshore, In-Between

THINK MODULAR
THINK MULTIFUNCTIONAL®



PRODUCTION ENHANCEMENT GROUP, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007

NOVEMBER 14, 2007

MANAGEMENTS' DISCUSSION AND ANALYSIS ("MD&A")

The following Management Discussion and Analysis ("MD&A") of financial results of Production Enhancement Group, Inc. ("PEG," or "Company") for the three and nine months ended September 30, 2007, should be read in conjunction with the audited Annual Consolidated Financial Statements and related notes and the MD&A in the Company's Annual Report for the period ended December 31, 2006 and the MD&A with interim unaudited consolidated financial statements for the first quarter ended March 31, 2007 and second quarter ended June 30, 2007, and is based on information available to November 14, 2007. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. Additional information is also available on the Company's website (www.productionenhancement.com) and all previous public filings are available through SEDAR (www.sedar.com). The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Notes referred to herein relate to the September 30, 2007 unaudited consolidated financial statements.

The Company has adopted the United States dollar ("USD") as its reporting currency as the vast majority of current operations are located in the United States and all numbers are in United States dollars unless otherwise detailed as "CAD" for Canadian dollars.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

Information which is contained in this MD&A contains estimates and assumptions which management is required to make concerning future events, and may constitute forward-looking statements under applicable securities laws. Forward-looking statements include plans, expectations, estimates, forecasts and other comments that are not statements of fact. The words "believe", "expect", "plan", "intend", "estimate", "will", "could", "may", "anticipate", "outlook" and similar expressions and statements relating to matters that are not historical facts including, but not limited to, information as to future capital expenditures, including the amount and nature thereof; expansion and other development trends of the oil and gas industry, improvement in day rates, business strategy, as well as the expansion and growth of the Company's business and operations, including its market share and other such matters.

By their very nature, such forward-looking statements require the Company to make assumptions and involve inherent risks and uncertainties, both general and specific. There is significant risk that express or implied projections contained in such statements will not materialize or will not be accurate. A number of factors could cause actual future results, conditions, actions or event to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. Such differences may be caused by factors, many of which are beyond the Company's control, which include, but are not limited to, the level of operations carried on by PEG's customers, oil and gas prices, weather conditions in offshore and land markets including natural disasters, availability of capital, including access to current or future financing arrangements, manufacturing cycles of new equipment, the effects of competition in the markets in which the Company operates, difficulty in continuing to develop, produce and commercialize technologically advanced services, availability of human resources and the Company's success in anticipating and managing the foregoing risks. The preceding list is not comprehensive, and as such, investors and others who rely on these statements should consider the above factors as well as the uncertainties they represent and the risk they entail. Additional information regarding the risks and uncertainties significant to the Company are provided in the Company's Annual Information Form (AIF).

Consequently, all of the forward-looking information contained in this MD&A is qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to or effects on the Company or its business operations. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date it is expressed in this MD&A or otherwise, and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

NON-GAAP MEASURES

The MD&A contains the term Earnings Before Interest, Taxes, Depreciation and Amortization and Stock Based Compensation ("EBITDAS") which should not be considered an alternative to, or more meaningful than "net income" or "cash flow from operating activities" as determined in accordance with Canadian GAAP ("GAAP") as an indicator of the Company's financial performance. This term does not have any standardized meaning as prescribed by GAAP and therefore, the Company's determination of EBITDAS may not be comparable to that reported by other companies. EBITDAS is calculated from the consolidated statements of operations and retained earnings (deficit) as gross margin less general and administrative expenses. The Company evaluates its performance

based on EBITDAS. The Company considers EBITDAS to be a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investment.

OVERVIEW OF BUSINESS

The Company and its wholly owned subsidiaries, Wise Well Intervention Services, Inc., a Nevada corporation ("WWIS"), WISE Well Intervention Technologies, Inc. ("WWIT") and 1314235 Alberta Ltd, which in turn owns one hundred percent (100%) of WISE Well Intervention Services, Inc, an Alberta corporation (formerly Dyna Star Energy Services Ltd.)("WISE Alberta"), provide oilfield and natural gas well services. WWIS provides specialized coiled tubing, pressure pumping, nitrogen, and wireline services to oil and gas producers and operators in Texas, Louisiana, and Mississippi and in the offshore waters of the Gulf of Mexico. The WISE Alberta transaction closed on April 27, 2007 and provides coiled tubing services to western Canada. In anticipation of providing these services internationally, in April 2007, the Company signed a joint venture agreement with Al Qahtani Maritime & Oil Field Services Company ("Al Qahtani") for potential operations initially in Saudi Arabia and thereafter in other parts of the Middle East. The joint venture is still in the formative stages and has not been formally organized as of September 30, 2007. WWIT was incorporated recently to commercialize the Company's proprietary technology, although it has not had any significant operations to date. The company is currently re-evaluating the joint venture arrangement with Al Qahtani.

SELECTED FINANCIAL INFORMATION ^{(1), (2)}

(Stated in USD)

The following is a summary of selected financial information of the Company.

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2007	2006	Change	2007	2006 ⁽²⁾	Change
Revenue	6,598,486	5,780,183	14%	23,200,408	14,185,132	64%
EBITDAS ⁽¹⁾	(2,113,940)	58,383	-3721%	(576,798)	(308,822)	-87%
Income (loss) before income taxes	(7,298,798)	(1,263,630)	-478%	(9,183,587)	(3,560,046)	-158%
Net income (loss)	(7,298,798)	(1,263,630)	-478%	(9,183,587)	(2,875,499)	-219%
Net income (loss) per share (basic and diluted)	(0.13)	(0.02)	-548%	(0.16)	(0.05)	-229%
Total assets	61,144,336	31,630,733	93%	61,144,336	31,630,733	93%
Notes and Long term debt	47,096,649	11,940,820	294%	47,096,649	11,940,820	294%
Number of common shares outstanding:						
Weighted average - basic and diluted	56,317,375	52,869,716	7%	55,838,654	52,296,779	7%

(1) EBITDAS means earnings from continuing operations before interest, taxes, amortization, and stock based compensation. Readers are cautioned that EBITDAS is generally regarded as an indirect measure of operating cash flow and, as such, the Company believes it is a significant indicator of success of public companies, and is particularly relevant to readers within the investment community. These measures do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies; however, PEG is consistent in its calculation of EBITDAS for each reporting period.

(2) The Company became a reporting issuer on March 29, 2006, being the date of receipt for its initial public offering prospectus.

THIRD QUARTER HIGHLIGHTS

The Company's 2007 third quarter revenue increased 14% compared to the 2006 third quarter. EBITDAS for the 2007 third quarter was a loss of USD (2,113,940) compared to earnings of USD 58,383 for the third quarter of 2006. The net loss before income tax increased to USD (7,298,798) from USD (1,263,630) net loss in the third quarter of 2006. Earnings (loss) per share was USD (0.13) for the 2007 third quarter compared to the 2006 third quarter loss per share of USD (.02), although average shares outstanding increased 7%.

The Company felt the impact of depressed activity levels in the oil and gas industry in the third quarter of 2007 resulting from seasonal project delays due to tropical storm activity affecting Gulf of Mexico operations and reduced activity in the U.S. and Canadian natural gas markets. The estimated weather impact to the Company was approximately USD 2.0 million to USD 2.5 million in revenue with a corresponding impact to EBITDAS due to the Company's efficient leverage of incremental sales. However, both the Pressure Pumping Division and Wireline Services Division under-performed Company expectations notwithstanding these weather factors. New Pressure Pumping Division management and sales personnel were added beginning in the month of August, following a reorganization of that division. A reorganization of the Wireline Services Division management was undertaken in October as well. As a result of these changes, both divisions are expected to show improving results in the fourth quarter. Two under-utilized Coiled Tubing ("CT") units formerly operating in Western Canada have been redeployed in the Gulf Coast region and are generating profitable revenues. In addition, the Company brought on a new COO for WISE Well Intervention Services, Inc. ("WWIS") as at October 1, 2007, and announced the departure of its prior CEO in October. The Company has undertaken a detailed review of and has implemented significant reductions in operating costs both in cost of sales and general operating expenses, which are expected to show results in the fourth quarter. These significant organizational changes and operational improvements were undertaken to address operational shortfalls that the Board determined to be unacceptable.

Although the Company suffered reduced utilization of its equipment in the third quarter of 2007 it expects to see renewed demand growth for its services and equipment going forward as the hurricane season in the Gulf of Mexico passes and strong oil and gas demand encourages the Company's customers to extract more production from their existing wells. However, the main story is the Company's future and there are several following key factors that will have a substantial impact going forward:

- In order to fund continued growth, the Company expanded its financing capabilities in the third quarter of 2007 with a new senior debt facility that provides USD 40 million in expansion financing which has provided needed and fully funded capital expenditures ("CAPEX") for expansion. While the Company's current debt to EBITDAS is higher than its peer group, the Company is small and rapidly growing, debt is taken on in advance of equipment deliveries, which tends to skew the analysis, and the balance sheet will start to significantly deleverage once the Company's units are completely deployed in mid 2008.
- A total of seven new units were delivered in the quarter ending September 30, 2007, a 33% increase over the number of units (excluding wireline units) versus the quarter ending June 30, 2007. However, these units were delivered very late in the third quarter and contributed very little to the quarter's revenue and profitability. These units are in place to contribute to the growth in the fourth quarter 2007 and beyond.
- Two offshore dual skid nitrogen units are to be delivered in November 2007.
- The Company expects to take delivery of several new well intervention units, including two WISE® multifunctional units and six site-generated nitrogen units, with delivery over the next six to nine months.
- The Company has also strengthened its operations management with the appointment of Don B. Cobb as President and Chief Operating Officer of its operating subsidiary, WISE Well Intervention Services, Inc. Mr. Cobb has domestic and international oil and gas services experience spanning 33 years, and most recently was Executive Vice President of Boots and Coots Services in charge of all international operations, and prior to that in significant operational roles with Baker Hughes.
- The Company is expanding its services offerings and will be launching two new product lines in the fourth quarter of 2007: the Self Generating Nitrogen Division and WISE Tools Division. The Self Generating Nitrogen Division will include the three recently deployed jumbo nitrogen generation units for land operations and two skid type nitrogen generation units for offshore work, due to arrive within a few weeks. The WISE Tools Division will include new downhole drilling motors and other assemblies, and is expected to generate revenues in its own right and as well as increase CT revenues through additional utilization and pull through business. This

strategic expansion of services was due to requests by the Company's customers for those services and increased demand for these services will contribute to higher revenue for the Company going forward.

- Immediate focus continues to be on cost management and improved utilization. As of today, the Company has postponed spending on new technology until the latter half of 2008, saving approximately USD 0.5 million quarterly from previously planned spending levels. The Company has reduced corporate and divisional overhead expense by approximately USD 1.0 million annually.

PEG had cash and cash equivalents of USD 11.7 million as at September 30, 2007, compared to USD 1.1 million as at December 31, 2006. Net cash flows from operating activities before changes in non-cash working capital was USD (3.6) million and USD (2.9) million for the three and nine months ended September 30, 2007, respectively, compared to USD (213,017) and USD 1.9 million for the three and nine months ended September 30, 2006, respectively.

On August 31, 2007, the Company entered into a debt facility from a major energy lending institution to provide a senior credit facility of USD 70 million. This new senior facility refinances the current senior indebtedness and provides USD 40 million in expansion financing for additional capital expenditures and working capital. For additional information, refer to the FINANCING ACTIVITIES section of this report.

On April 27, 2007, the Company entered the western Canada oilfield services market with its acquisition of WISE Well Intervention Services, Inc, an Alberta corporation (formerly Dyna Star Energy Services Ltd.) ("WISE Alberta"), a private company that provides coiled tubing and nitrogen well intervention services in Alberta. For additional information, refer to the ACQUISITIONS section of this report.

RESULTS OF OPERATIONS

Consolidated revenue for the three months ended September 30, 2007 and 2006 were USD 6,598,486 and USD 5,780,183 respectively. The company experienced weaker overall market conditions for the quarter particularly in the Gulf Coast area due to weather impacts on service work and related activity due to lower natural gas prices. These factors are also believed to have negatively impacted the Company's competitors in these markets. The Coiled Tubing Division revenue decreased 9% in the third quarter of 2007 compared to the third quarter of 2006. The current year quarterly decline over the prior quarterly period was primarily attributable to the depressed market conditions due to project delays in anticipation of potential storms in the Gulf Coast area. Pumping Division revenue decreased 24% in the third quarter of 2007 compared to the third quarter of 2006 and was largely attributable to the softening of the U.S. gas markets and the reorganizational changes that occurred during the quarter with a change in operating management and a restructuring of the pressure pumping sales force. This includes redirecting a portion of the sales force and operational personnel to Primary, Cementing Pumping services. The Wireline Services Division, which was acquired on March 5, 2007 contributed USD 1,544,762 total revenue during the third quarter of 2007. The anticipated storm activity in the Gulf of Mexico significantly impacted the fleet utilization for the Wireline Services Division for the quarter due to predominance of skid-mounted offshore equipment in that division. WISE Alberta, which was acquired on April 27, 2007 contributed USD 257,998 total revenue for the third quarter of 2007.

Consolidated revenue for the nine months ended September 30, 2007 and 2006 were USD 23,200,408, and USD 14,185,132, respectively. The Coiled Tubing Division revenue increased 66% in the nine months ended September 30, 2007 compared to the nine months ended September 30, 2006. The nine month current year improvement over the nine month period last year was primarily attributable to price improvement, higher demand for WISE® multifunctional units, increased unit count and expanded operations into areas such as the Barnett Shale and South Texas region. Pumping Division revenue decreased 13% in the nine months of 2007 compared to the nine months of 2006 and was largely attributable to delays in equipment deliveries, a general softening of the market due to anticipated storm activity in the Gulf of Mexico region and reorganization of the Pumping division management and sales force. The Wireline Services Division, which was acquired on March 5, 2007 contributed USD 2,178,261 total revenue during the nine months of 2007. WISE Alberta, which was acquired on April 27, 2007 contributed USD 402,928 total revenue for the nine months of 2007.

EBITDAS for the three months ended September 30, 2007 and 2006 were USD (2,113,940) and USD 58,383, respectively. The decline over the third quarter last year is primarily attributable to lower utilization for the quarter. The first quarter 2006 numbers shown later in this report reflect the expenditure levels of a private corporation, which did not include expenses such as increased accounting, legal, insurance and other associated fees and expenses normally incurred within a public reporting environment. As the size of the Company increases and the reporting requirements expand, the salaried employees required to manage the Company has increased significantly. The majority of the planned senior management team is now in place, as well as the corporate divisions required to manage and operate a publicly-held corporation and costs should remain relatively stable in the future and, therefore, decline as a percentage of revenue.

EBITDAS for the nine months ended September 30, 2007 and 2006 were USD (576,798) and USD (308,822), respectively. The 87% decline over the nine month period last year is primarily attributable to lower fleet utilization caused by the project delays associated with the anticipated storm activity in the Gulf of Mexico.

Cost of services for the three months ended September 30, 2007 and 2006 were USD 5,594,737 and USD 3,418,568, respectively. Cost of services for the Coiled Tubing Division increased from USD 2,323,834 in the third quarter of 2006 to USD 2,847,933 in the third quarter of 2007. Gross margin for the Coiled Tubing Division was 20% and 40% for the three months ended September 30, 2007 and 2006, respectively. Coiled Tubing Division gross margin declined primarily due to the loss of revenue from the storm activity in the Gulf of Mexico, increased labor cost for experienced field operations personnel and direct consumables cost such as fuel and steel. Other contributing factors included high level equipment refurbishment programs and sub-rental costs. Cost of services for the Pumping Division increased from USD 1,105,219 in third quarter 2006 to USD 1,413,780 in third quarter 2007. Gross margin for the Pumping Division was 2% and 41% for the three months ended September 30, 2007 and 2006, respectively. The decline was due to the loss of revenue from storm activity in the Gulf of Mexico and the lower level of utilization and higher labor and consumables cost.

Cost of services for the nine months ended September 30, 2007 and 2006 were 14,856,131 and USD 8,500,908, respectively. Cost of services for the coiled tubing division increased from USD 5,810,917 in the nine months of 2006 to USD 8,581,749 in the nine months of 2007. Gross margin for the Coiled Tubing Division was 42% and 34% for the nine months ended September 30, 2007 and 2006,

respectively. Coiled Tubing Division margin improved due to higher utilization of equipment for the respective period and lower costs from sub-rental equipment and upgrading the equipment fleet with new equipment. Cost of services for the Pumping Division increased from USD 2,913,387 in the nine months of 2006 to USD 3,436,192 in the nine months of 2007. Gross margin for the Pumping Division was 29% and 48% for the nine months ended September 30, 2007 and 2006, respectively, as lower level of fleet utilization has affected margins.

Selling, general and administrative expenses for the three months ended September 30, 2007 and 2006 were USD 3,188,162 and USD 2,768,877, respectively. Selling, general and administrative expenses for the nine months ended September 30, 2007 and 2006 were USD 9,354,675, and USD 6,918,485, respectively. These amounts consist primarily of salaries and costs associated with various operating activities, finance, acquisition, and general corporate expenditures. Immediate focus continues to be on cost management. The Company has reduced corporate and divisional overhead expense by approximately USD 1.0 million annually.

The Company's interest expense and amortization costs for the three months ended September 30, 2007 and 2006 were USD 5,114,385 and USD 856,368, respectively. Interest amounts for 2007 are associated with the senior term facility, capital expenditure facility and working capital facility which consolidated all prior debt of the subsidiaries and a USD 516,011 prepayment fee paid on previous debt facility in the third quarter of 2007. Amortization increased due to increases in capital assets and the costs of financing which had been capitalized prior to the closing of the new debt facility and deferred financing costs of USD 2,259,391 recorded in the third quarter of 2007.

Interest expense and amortization costs for the nine months ended September 30, 2007 and 2006 were USD 8,173,189 and USD 2,325,785, respectively. Interest amounts for 2007 are associated with the senior term facility, capital expenditure facility and working capital facility which consolidated all prior debt of the subsidiaries and a USD 516,011 prepayment fee paid on previous debt facility in the third quarter of 2007. Amortization increased due to increases in capital assets and the costs of financing which had been capitalized prior to the closing of the new debt facility and deferred financing costs of USD 2,259,391 recorded in the third quarter of 2007.

The Company recorded net losses before future tax recovery for the three months ended September 30, 2007 and 2006 of USD (7,298,798) and USD (1,263,630), respectively. The increase in net loss from the prior year is primarily the result of the revenue loss due to the storm activity in the Gulf of Mexico.

Net losses before future tax recovery for the nine months ended September 30, 2007 and 2006 were USD (9,183,587), and USD (3,560,046), respectively. The increase in net loss from the prior year is primarily the result of the August and September 2007 revenue loss associated with storm activity in the Gulf of Mexico.

The Company had cash and restricted cash of USD 14,910,770 as at September 30, 2007 and USD 2,959,069 at September 30, 2006. The increase in the cash reserve was due to proceeds from the new senior credit facility from a major energy lending institution. Included is a requirement by the new lender to maintain a restrictive cash balance equal to six months interest payments totaling approximately USD 3.2 million. Net cash provided (used) by operating activities before changes in non-cash working capital was USD (2,707,540) and USD (1,412,692) for the three months ended September 30, 2007 and 2006, respectively.

Net cash provided (used) by operating activities before changes in non-cash working capital was USD (2,824,642) and USD 1,574,780 for the nine months ended September 30, 2007 and 2006, respectively.

Cash flows from (used in) investing activities were USD (7,314,642) and USD (3,450,641) respectively, for the three months ended September 30, 2007 and 2006, respectively. Cash flows from (used in) investing activities were USD (20,288,217) and USD (10,608,673) for the nine months ended September 30, 2007 and 2006, respectively. The Company undertook an aggressive capital asset expansion plan that began in the third quarter of 2006 and continued through the third quarter of 2007. The majority of the capital expenditures relate to costs associated with the manufacture of coiled tubing units, nitrogen units and pressure pumping equipment. As discussed below, the Company acquired a wireline services company in March 2007 that owned equipment with a fair market value of over USD 6 million.

Cash flows provided by financing activities were USD 24,711,411 and USD 764,112 for the three months ended September 30, 2007 and 2006, respectively. Cash flows provided by financing activities were USD 36,957,984 and USD 11,989,457 for the nine months ended September 30, 2007 and 2006, respectively. These cash flows in the nine months of 2007 are primarily the result of borrowings under the Company's capital expenditure and revolver credit lines. As of today, the Company has postponed spending on new technology until the latter half of 2008, saving approximately USD 0.5 million quarterly from previously planned spending levels.

ACQUISITIONS

On March 5, 2007, the Company purchased all of the shares of Wireline Specialists of Louisiana, Inc. (“WSL”). The Company assumed and refinanced WSL’s existing debt of approximately USD 2.1 million and paid net consideration to the selling shareholders of approximately USD 3 million in cash and 1.2 million PEG common shares (“Common Shares”). A portion of the cash requirements was financed by the sale of 6,666,667 units (“Units”) consisting of one Series A Preferred Share and three-quarters of a warrant for Common Shares. The remainder of the proceeds necessary to refinance the assumed indebtedness and pay the selling shareholders of WSL was provided by a USD 4 million increase in term loans provided by a major international financial institution. An additional payment of up to USD 450,000 and 780,463 common shares would have been required after April 30, 2007 if certain provisions were met. Although a final settlement of any amounts payable or shares to be issued has not been concluded as of this date, the Company believes there will be no further payout under the contingent earnout provision in the original transaction. The shares issued to selling shareholders will be subject to a 2-year holding period and will be valued at the greater of CAD 2.00 per share (subject to an adjustment provision) or the actual share price at the time of closing. If the Common Shares have not traded at or above CAD 2.00 during any 20 consecutive trading days that precede the first anniversary of the Closing Date, then there will be an adjustment equal to the number of Common Shares valued at the volume weighted average closing price during the 20 consecutive trading days that precede the first anniversary of the Closing Date.

The acquisition was accounted for using the purchase method with the results of operations of WSL being included in the Company’s consolidated financial statements beginning March 1, 2007. The Common Shares were valued at CAD 1.29, such value being the volume weighted average trading day price of the Company’s stock five days before and after the date of September 22, 2006.

The purchase price allocations may be subject to change as the Company awaits information that could impact the allocations among the assets and liabilities of WSL. The preliminary purchase allocations are as follows:

Wireline net assets acquired (in USD):	
Cash	\$ 38,966 *
Non-cash working capital	1,117,396
Capital assets and deposits	4,983,880
Intangibles	765,745
Goodwill	464,759
Capital Lease	(12,018)
Long-term debt	(2,920,428) *
	<u>\$ 4,438,299</u>
Consideration:	
Common shares issued at closing	\$ 1,359,944
Cash	3,078,355 *
	<u>\$ 4,438,299</u>

* Net cash effect of acquisition (5,959,817)

On April 27, 2007, the Company entered the western Canada oilfield services market with its acquisition of WISE Well Intervention Services, Inc, an Alberta corporation (formerly Dyna Star Energy Services Ltd.) (“WISE Alberta”), a private company that provides coiled tubing and nitrogen well intervention services in Alberta. The Company assumed and refinanced WISE Alberta’s existing debt of approximately CAD 1.5 million and paid net consideration to the selling shareholders of approximately CAD 230,000 (USD 208,352) cash, and 427,004 PEG common shares. A portion of the carrying value of the shareholder loans of in the amount of CAD 100,000 was reclassified to “due to shareholder” and will be paid in the fourth quarter of 2007. The proceeds necessary to refinance the assumed indebtedness and pay the selling shareholders of Dyna Star Energy Services Ltd. were provided through an additional term loan from a major international financial institution. The final purchase price settlement has been finalized and the 427,004 shares will be issued to the seller in fourth quarter of 2007.

The acquisition was accounted for using the purchase method with the results of operations of WISE Alberta being included in the consolidated financial statements beginning May 1, 2007. The Company shares were valued at CAD 1.26, such value being the volume weighted average trading day price of the Company's stock five days before and after the date of November 16, 2006.

The Dyna Star purchase allocations are as follows:

Dyna Star net assets acquired (in USD):	
Liabilities	\$ (359,154) *
Non-cash working capital	(92,105)
Capital assets and deposits	2,302,080
Long-term debt	(1,155,083) *
	<u>\$ 695,738</u>
Consideration:	
Common shares issued at closing	\$ 487,386
Cash	208,352 *
	<u>\$ 695,738</u>
* Net cash effect of acquisition	(1,722,589)

FINANCING ACTIVITIES

The Corporation's primary sources of financing are bank debt and equity issuances. On August 31, 2007, the Company entered into a debt facility with a major energy lending institution to provide a senior credit facility of USD 70 million. This new senior facility refinances the current senior indebtedness and provides USD 40 million in expansion financing for additional capital expenditures and working capital. Borrowings under the facility bear interest at 14%, with the Company having the ability to pay 3% "in kind." The facility will require the payment of interest only until December 31, 2008, at which time the principal will begin to be amortized on a quarterly basis over an 8 year straight-line amortization schedule. The notes will mature on August 31, 2012 but may be prepaid under certain circumstances during their term upon payment of additional prepayment fees.

The Lender will also receive warrants to purchase up to 8,193,249 shares of the Company's common stock at an initial exercise price of CAD 2.00 per share (the "Warrants"). The initial exercise price of the Warrants will be adjusted in the future to the average of the then market price at the reset date (based on a 60-trading day volume weighted average calculation) and CAD 0.64 (the market price on the date of Closing based on a five day volume weighted average trading price), provided that such reset price will not be less than CAD 0.64/share nor more than CAD 2.00/share. The reset date will be the earlier of (i) February 28, 2009 or (ii) a change of control, liquidation, merger, or other similar event of the Company. The holders of the Warrants agreed not to sell short any Common Stock of the Company while the Warrants are outstanding. The term of the Warrants is four years, but the Company also has the right to require the Warrants to be exercised if the market price of the Common Stock reaches two times (2.0x) the then effective exercise price based on a 60-trading day volume weighted average calculation at such time. The Warrants also have the benefit of certain registration rights and anti-dilution provisions customary for this type of instrument.

The facility is secured by all assets of the Company for a term of 5 years.

The Company repaid its prior senior debt obligations with the previous lender and incurred a USD 516,011 prepayment fee.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at September 30, 2007, the Company has made deposits in the amount of USD 4,534,775 toward the purchase of equipment to be delivered in the fourth quarter of 2007 and the first half of 2008. The total progress payments and balance due on delivery is estimated to be USD 13,765,197.

The Company has entered into a lease agreement with a major fleet leasing company for the lease of vehicles. The term of the lease is 367 days renewable monthly thereafter. The lease is structured as an operating lease and a 30% deposit is required on all vehicles. As at September 30, 2007 the total deposits on operating leases is USD 290,721.

The Company signed an eighteen month lease for the rental of a home for housing out of town crew members during the period ending March 31, 2007. The lease payments are USD 1,100 per month and a total of USD 3,300 and USD 8,800 was paid for the three and nine month periods ending September 30, 2007. This lease was terminated in September 2007.

On April 16, 2007, the Company signed a contract establishing a joint venture with Al Qahtani Maritime & Oil Field Services Co. The joint venture company, named Abdul Hadi Al Qahtani WISE Co., Ltd., will market PEG's patented WISE multifunction coil tubing technology on an exclusive basis in the Middle East, beginning in Saudi Arabia with future expansion opportunities throughout the region. All sales, operations, and support will be conducted under PEG's trademarked WISE brand name. The joint venture, 60% owned by Al Qahtani Maritime and 40% owned by PEG, will begin constructing three WISE multifunction well intervention units which are expected to be deployed offshore, upon finalization of the marketing and business plan and formal organization of the joint venture entity. PEG will build the units in the U.S. and will custom-configure them using the latest WISE technology, including site-generated nitrogen capability. There has been no activity on this joint venture as at November 14, 2007 and the Company is currently re-evaluating the joint venture arrangement.

On April 19, 2007, the Company signed an agreement with Grupo Creatica, S.A. de C.V., ("Grupo Creatica") to form a joint venture to deploy the Company's patented WISE™ multifunction coil tubing well intervention systems on an exclusive basis in Mexico. However, the Company subsequently announced the termination of the Mexican joint venture agreement on June 25, 2007 which had expired on its own terms (refer to press release dated June 25, 2007).

On April 19, 2007, the Company signed the first modification and ratification of its lease agreement for its headquarters location in Houston, Texas to extend the lease by an additional six months beginning May 1, 2007 and expiring on April 30, 2010. Beginning on May 1, 2007, the annual rental costs relating to this office space is USD 178,121 and is payable in monthly installments of USD 14,843 during the lease term.

The Company has signed a 36 month lease for facilities in Longview, Texas. The lease payments are USD 3,500.00 per month. A total of USD 5,250.00 was paid in the third quarter of 2007.

The Company has signed a six month lease on a corporate apartment in Lafayette, LA. The monthly lease payments are USD 2,398.95 and a total of USD 2,398.95 was paid in the three month period ending September 31, 2007.

The Company has signed a six month lease on a lab facility in Lafayette, LA. The monthly lease payments are USD 1,000 per month beginning October 1, 2007.

As of the result of the termination of the CEO on October 9, 2007 and based on the Employment Contract in place at the date of termination, the Company has entered an agreement with the former CEO that calls for his resignation as the Chairman of the Board of Directors and as a Board Member, a continual base salary, 401k eligibility, health and life insurance benefits and car allowance until November 4, 2008, paid semi-monthly on the normal payroll cycle. In addition accrued vacation for 2007 will be paid in fourth quarter of 2007. On October 30, 2007, the Company announced the resignation of the former CEO as the Chairman of the Board of Directors and as a Board member.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

(USD)	As at September 30, 2007	As at December 31, 2006
Current assets	21,829,723	7,594,749
Current liabilities	4,038,049	7,718,227
Working capital	17,791,674	(123,478)

The increase in working capital as of September 30, 2007 was due to the cash received from a debt facility from a major energy lending institution on August 31, 2007 as previously mentioned (refer to “FINANCING ACTIVITIES”).

The Company is funding its capital and operating needs with funds from the senior term facility and with the net proceeds from the Company’s IPO and Preferred Share offering. Liquidity risk arises from PEG’s ability to meet general funding needs and manage the assets, liabilities and capital structure of the Company. Liquidity risk is managed to maintain sufficient liquid financial resources to fund obligations as they become due in the most cost effective manner. The Company’s liquidity needs are met through a variety of sources, including: cash generated from operations and long-term borrowings against PEG’s capital expenditure line. The Company’s primary uses of funds are operational expenses, capital expenditures, and interest and principal payments on credit facilities.

PEG anticipates that acquisitions of complementary companies, assets and product lines will continue to play an important role in the Company’s business strategy, although there are no definitive plans for additional acquisitions in the balance of 2007. The Company purchased a private wireline services company with service locations in Texas and Louisiana in the first quarter of 2007 and a private coiled tubing services company in Canada in the second quarter of 2007. Transactions such as these can be effected quickly and may occur at any time. These acquisitions were financed through issuances of the Company’s equity, as discussed below, and expansion of the Company’s senior debt facility. Future acquisitions and capital expenditures may be funded through possible private placements and subordinated debt financing. The extent to which PEG will be able or are willing to use the Company’s Common Shares to make acquisitions will depend on the market value of the Common Shares from time to time and the willingness of potential sellers to accept Common Shares as full or partial payment.

SHARE CAPITAL

Shares issued and outstanding as of September 30, 2007 are as follows:

	<u>Number of Shares</u>	<u>Amount</u>
Common shares		
Balance, December 31, 2006	16,357,848	\$ 15,619,467
Acquisition of Wireline, net of issuance costs	1,234,739	1,241,904
Acquisition of Dyna Star, net of issuance costs	427,004	352,148
Conversion of Preferred Stock	300,001	
Conversion of Class C Shares	38,297,784	-
Balance, September 30, 2007	<u>56,617,376</u>	<u>17,213,519</u>
Class C Shares		
Balance December 31, 2006	38,297,784	-
Conversion to Common Shares	(38,297,784)	-
Balance, September 30, 2007	<u>-</u>	<u>-</u>
	<u>56,617,376</u>	<u>17,213,519</u>
Preferred Stock		
Balance, December 31, 2006	-	-
Conversion to Common Shares	(300,001)	
Preferred share offering, net of issuance costs	6,666,667	2,209,441
Balance, September 30, 2007	<u>6,366,666</u>	<u>2,209,441</u>
Warrants		
Balance, December 31, 2006	6,288,433	1,559,049
Warrants issued on preferred stock	5,000,000	2,099,038
Warrants issued to agent	333,333	171,675
Warrants issued to lender	8,193,249	320,051
Expiration of warrants	(6,288,433)	(1,559,049)
Balance, September 30, 2007	<u>13,526,582</u>	<u>2,590,764</u>
Total		<u>\$ 22,013,724</u>

Contributed Surplus:

Balance, December 31, 2006	\$ 1,727,565
Employee options	329,814
Board of Director options	70,208
Advisory Board options	10,388
Expired warrants	1,559,049
Balance, September 30, 2007	<u>\$ 3,697,024</u>

Class C Shares

On May 14, 2007, the Class C Non-voting Common Stock of the Company was converted into Common Shares of PEG as mandated by the Toronto Stock Exchange ("TSX") as a condition for obtaining listing approvals at the time of the issuance of the Preferred Stock and the Warrants. Although PEG successfully obtained the approvals, one consequence of this conversion was that for United States securities law purposes, PEG no longer has the status of a "foreign private issuer" under the United States Securities Act of 1933 (the "US Securities Act") and Regulation S thereunder, and PEG is now deemed a "domestic issuer" in the United States.

Preferred Stock

On March 5, 2007 the Company closed its offering of 6,666,667 units (each a “Unit”) priced at CAD 0.87 per Unit, for CAD 5.8 million. Gross proceeds were USD 5 million. Each Unit is comprised of one Series A 8% Cumulative, Non-voting Convertible Preferred Share (each a “Preferred Share”) and three quarters of one Common share purchase warrant (each a “Warrant”). The fair value of the warrants was estimated to be USD 2,099,038 using the Black-Scholes model with the following assumptions: expected life of warrants five years; expected volatility of 50%; risk-free interest rate of 4.0%; and a zero dividend yield. A corresponding amount of the equity raised has been allocated to warrants. Proceeds of the offering were used to close the acquisition of Wireline Specialists of Louisiana, as announced by the Company on September 22, 2006, and the acquisition of Dyna Star Energy Services Ltd., as announced on November 16, 2006. Remaining funds will be used to finance a portion of the Company’s capital expenditures. (refer to “ACQUISITIONS”).

The Preferred Shares will pay quarterly cumulative dividends at a rate of 8% per year of the amount invested. The Company has the right to pay all or a portion of the first four quarterly dividends in kind in additional Preferred Shares at the equivalent Common Share value at the time of payment. Each Preferred Share is convertible at the option of the holder into one PEG Common Share. The quarterly dividends for the first and second quarterly periods will be issued as in kind Preferred Shares with a small cash portion. The shares totaling 143,414 for the first quarter of 2007 and 175,693 for the second quarter of 2007 have not been issued nor has the cash portion USD 11.55 been paid as at September 30, 2007. The shares were issued October 31, 2007. The Company may force conversion of the Preferred Shares upon 30 days’ notice if the average closing price of the Common Shares of the Company on the Toronto Stock Exchange exceeds CAD 1.74 for a period of 10 consecutive trading days on which an average of 10,000 Common Shares have traded.

Each whole Warrant entitles the holder to purchase one Common Share at a price per share of CAD 1.24 for a period of five years following the date of issuance. The Company can accelerate the expiry of the Warrants in the event that the simple average trading price for a 30 consecutive trading day period is equal to or greater than CAD 2.48.

The exclusive placement agent received a 7% commission and broker warrants (each a “Broker Warrant”) equivalent to 5% of the number of Preferred Shares issued pursuant to the offering. Each Broker Warrant entitles the holder to purchase one Common Share at a price per share of CAD 0.87 for a period of five years following the date of issuance. The Company can accelerate the expiration of the Warrants in the event that the simple average trading price for a 30 consecutive trading day period is equal to or greater than CAD 1.74. The fair value of the agent warrants of USD 171,675 has been recorded as a share issue cost and they were calculated from the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 4.0 %; expected life of five years; no annual dividends paid; and expected volatility of 50%.

Stock option plan

On November 24, 2005, the Board approved a stock option plan (the “Plan”) whereby the Company may grant options to purchase common shares to directors, officers, employees, and consultants. The Board amended the Plan on September 6, 2007 to include a new cashless exercise feature. Under the terms of the Plan and subsequent amendments to the Plan, the Company has reserved 10% of the issued outstanding shares as the maximum stock options that can be granted. When granted, options have a five year term. The exercise price of the options is determined by the Board and will not be less than the market price of the common shares at the grant date. The Board will determine the vesting terms at the time of grant. The Board approved grants during the third quarter of 2007 of 1,550,000, during which quarter 560,000 options were cancelled. The approved grants of 1,550,000 occurred on September 6, 2007 and were priced at CAD 0.62. As a result of the new grants and forfeitures, as of the reporting date the total number of options outstanding is 5,385,000. The Company also repriced the existing non-officers’ and non-insiders’ stock option holders with original vesting date to CAD 0.62 from CAD 2.00 to better reflect market conditions and to create a more meaningful incentive to retain key employees. There were 620,000 options repriced of which 35,000 were forfeited, thus, 585,000 net stock option holders were repriced to CAD 0.62.

The following table summarizes information about the stock options outstanding at September 30, 2007:

Options Outstanding	Option Price CAD	Wtd Avg Exercise Price CAD	Wtd. Avg. Remaining Contractual Life (years)	Options Currently Exercisable	Wtd. Avg. Exercise Price of Options Currently Exercisable CAD
2,550,000	\$2.00	\$2.00	3.55	1,304,167	\$2.00
200,000	\$2.00	\$2.00	3.67	83,333	\$2.00
25,000	\$2.00	\$2.00	3.84	8,333	\$2.00
130,000	\$2.00	\$2.00	4.05	-	\$2.00
20,000	\$2.00	\$2.00	4.21	-	\$2.00
25,000	\$2.00	\$2.00	4.40	-	\$2.00
150,000	\$2.00	\$2.00	4.49	-	\$2.00
220,000	\$2.00	\$2.00	4.57	-	\$2.00
150,000	\$2.00	\$2.00	4.64	-	\$2.00
3,470,000	\$2.00	\$2.00	4.14	1,395,833	\$2.00
185,000	\$0.62	\$0.62	3.55	77,083	\$0.62
20,000	\$0.62	\$0.62	3.67	8,333	\$0.62
25,000	\$0.62	\$0.62	3.92	8,333	\$0.62
130,000	\$0.62	\$0.62	4.21	-	\$0.62
35,000	\$0.62	\$0.62	4.40	-	\$0.62
85,000	\$0.62	\$0.62	4.49	-	\$0.62
105,000	\$0.62	\$0.62	4.64	-	\$0.62
1,330,000	\$0.62	\$0.62	4.93	200,000	\$0.62
1,915,000	\$0.62	\$0.62	4.14	293,750	\$0.62
Total	5,385,000			1,689,583	

On April 19, 2006, the Company completed its Initial Public Offering (“IPO”) pursuant to which the Company issued 10,000,000 units. Each Unit consisted of one Common Share and one-half of one Warrant. Each whole Warrant entitled the holder to purchase a Common Share at an exercise price of CAD 3.00 until April 19, 2007. The Agent also received an option to acquire 1,000,000 Common Shares at a price of CAD 2.00 per Common Share for a period of up to 12 months from the closing date of the IPO. None of the Warrants or Agent’s options were exercised before they expired on April 18, 2007.

RELATED PARTY TRANSACTIONS

Other than as disclosed below, there are no material interests, direct or indirect, of directors, senior officers, any shareholders who beneficially own, directly or indirectly, more than 10% of the Company's outstanding Common Shares (on a fully diluted basis), or any known associates or affiliates of such persons, in any transaction within the last three years or in any proposed transaction which has materially affected or will materially affect the Company:

Legal fees related to the Company's acquisitions, financings and general corporate matters are charged by the law firm at which the Corporate Secretary is a partner. For the three and nine months ended September 30, 2007 these legal fees totaled USD 93,886 and USD 358,754 respectively (the three and nine months ended September, 2006 total legal fees were USD 0.00 and USD 335,549). There were no outstanding legal fees at September 30, 2007. The acquisition related legal fees included in these total legal fees were USD 67,588 and USD 258,589 for the three and nine months ended September 30, 2007 (the three and nine months ended September 30, 2006 acquisition related legal fees included in these total legal fees was USD 0.00 and USD 311,970 respectively).

The Company previously entered into a consulting agreement in which a family member of two senior executives was paid USD 12,000 and USD 36,000 during the three and nine month period ended September 30, 2007 (three months ended September 30, 2006 was USD 12,000, nine months ended September 30, 2006 was USD 36,000) for advisory board services.

Equipment purchases, equipment rental and equipment repairs of USD 11,884 and USD 1,720,117 were recorded during the three and nine month period ended September 30, 2007 (USD 0.00 and USD 2,145,300, respectively, for the three and nine months ended September 30, 2006) to a company controlled by a director. The rentals are based on usage and all transactions are competitive with arms-length third party charges. There was an outstanding balance at September 30, 2007 of USD 11,784.

On December 14, 2004, WISE Well Intervention Services, Inc. signed an agreement with a software supplier controlled by a director and officer of the Company to purchase a USD 250,000 license for the operation of a global support center for the WISE® Coil Tubing ("CT") Units in the field, a user contract at USD 1,500 per month per CT Unit, a per CT Unit installation fee of USD 75,000 and customization costs based on established rates per hour. This agreement is effective upon the Closing of the Offering for an initial period of three years. The contract will be automatically renewed for successive one year terms unless either party gives notice of termination within the time period specified in the agreement. The software license has not been placed in service as of September 30, 2007; therefore no amortization has been recognized. Computer consulting and services totaling USD 350,905 and USD 985,178 were recorded during the three and nine month period ending September 30, 2007, and USD 424,883 for the three and nine months ended September 30, 2006 to a company controlled by a director and officer of the Company. An overpayment of USD 12,959 remained outstanding at September 30, 2007. As at October 1, 2007 this agreement has been terminated and no further costs related to the agreement are expected. The Company will be entitled to utilize the software and the license royalty-free.

The Company leases real property from a company controlled by a board member. For the three and nine month period ending September 30, 2007, USD 64,500 and USD 183,500 (USD 35,587 and USD 89,138 respectively, for the three and nine months ended September 30, 2006) was recorded in lease payments.

The Company made payments toward equipment on order to a company controlled by a director. Payments made during the three and nine month periods ending September 30, 2007 total USD 250,000. The balance of equipment on order is disclosed in commitments. There were no payments made through the nine months ended September 30, 2006.

The Company purchased chemicals for resale totaling USD 77,119 from a company that is beneficially owned by two former officers of a subsidiary during the three month period ending March 31, 2007. No purchases were made during the three month periods ending June 30, 2007 or September 30, 2007. Purchases of USD 226,368 and USD 0.00 were made for the three and nine months ended September 30, 2006 respectively. No future purchases are contemplated from this source.

As a result of the acquisition of WSL in March 2007, the Company rents property from a company owned by three shareholders, one of whom was a former officer. The amount of rents paid for the three and nine month period ending September 30, 2007 is USD 7,500 and USD 17,500.

As a result of the acquisition of WSL in March 2007, the Company rented property from and paid consulting fees to a company owned by a shareholder. The balance due for rent of USD 5,525 at March 31, 2007 was paid in the second quarter of 2007, and both of these arrangements expired on April 1, 2007.

As a result of the acquisition of WSL in March 2007, the Company paid consulting fees to a shareholder during the six months ended June 30, 2007 in the amount of USD 10,650. This arrangement expired on April 1, 2007.

As a result of the acquisition of Dyna Star in May 2007, the Company has recorded costs of USD 0.00 and USD 16,293 for the three and nine months ended September 31, 2007, respectively, to a company owned by a former shareholder of Dyna Star and current officer of WISE.

Effective as of September 1, 2007 the Company has terminated its exclusive Manufacturing Agreement made with a company controlled by a director.

Effective as of September 1, 2007 the Company has terminated its Second Contract for Construction of Integrated Membrane Nitrogen Generators made with a company controlled by a director.

All of the above related party transactions are recorded at agreed to exchange amounts which reflect fair values.

SUMMARY OF QUARTERLY RESULTS ^{(1), (2), (3)}

Stated in USD

	2007			2006				2005
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Q4
Revenue	7,832,175	8,769,747	6,598,486	3,826,407	4,578,542	5,780,183	6,850,175	2,523,320
EBITDAS	925,633	611,509	(2,113,940)	(166,801)	(200,404)	58,383	385,352	434,188
(Loss) before Income Taxes	(529,822)	(1,354,967)	(7,298,798)	(829,036)	(1,467,380)	(1,263,630)	(1,084,490)	161,464
Net Income (loss)	(529,822)	(1,354,967)	(7,298,798)	(570,732)	(1,041,137)	(1,263,630)	(1,363,751)	666,864
Net Income (loss) per share, Basic and fully diluted	(0.01)	(0.02)	(0.13)	(0.01)	(0.02)	(0.02)	(0.02)	0.07
Total Assets	41,588,354	45,408,916	61,144,336	15,787,018	32,188,052	31,630,733	32,018,488	9,103,026
Notes and Long- term Debt	18,572,899	22,198,677	47,096,649	12,854,126	11,266,715	11,940,820	14,275,015	6,411,290
Basic and dilutive shares	55,012,335	56,185,200	56,317,375	38,899,322	49,269,095	52,869,716	54,655,632	9,140,775

(1) EBITDAS means earnings from continuing operations before interest, taxes, amortization, and stock based compensation. Readers are cautioned that EBITDAS is generally regarded as an indirect measure of operating cash flow and, as such, the Company believes it is a significant indicator of success of public companies, and is particularly relevant to readers within the investment community. Funds from operations is obtained from the consolidated statements of cash flows and is the subtotal before the first "change in non-cash working capital". These measures do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies; however, the Company is consistent in its calculation of EBITDAS and funds from operations for each reporting period.

(2) The Company became a reporting issuer on March 29, 2006, being the date of receipt for its initial public offering prospectus. Quarterly financial information has not been provided for 2005, because the Company did not prepare such information.

(3) As the acquisition of the Company and PETI (Wise Well Intervention Services, Inc. formerly known as PET International, Inc.) was accounted for using the reverse take over rules of accounting, all December 31, 2005 information is that of Production Enhancement Technology, LLC.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and significant accounting policies utilized by the Company are described in note 3 to the Company's consolidated financial statements. Management believes the accounting principles selected are appropriate under the circumstances and the Audit Committee of the Company has approved the policies selected.

Under Canadian GAAP, the Company is required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and assumptions utilized are based on past experience and other information available to management at the time the estimate or assumption is made. The estimates and assumptions used by management are constantly evaluated for relevance under the circumstances and if circumstances on which the estimates or assumptions were based change, the impact is included in the results of operations for the period in which the change occurs. Management believes the estimates, judgments and assumptions involved in its financial reporting are reasonable.

The following accounting policies require management's more significant judgments and estimates in the preparation of the Company's consolidated financial statements, and as such, are considered to be critical.

Allowance for Doubtful Accounts Receivable The Company periodically reviews its accounts receivable on an individual and overall customer basis. This process consists of a review of historical collection experience, current aging status of the customer accounts and other factors. Based on its review of these factors, it establishes or adjusts allowances for specific customers. This process involves a high degree of judgment and estimation. Accordingly, the Company's results of operations can be affected by adjustments to the allowance due to actual write-offs that differ from estimated amounts.

Property and Equipment Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed based upon the Company's depreciation policies. The depreciation policies selected are intended to depreciate the related property and equipment over their useful life. The use of different assumptions with regard to the useful life could result in different carrying values for these assets as well as for depreciation expense.

Impairment of Long-lived Assets Long-lived assets are reviewed for impairment annually. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Estimates of undiscounted future net cash flows are calculated using estimated future revenues, operating expenses and other costs. These estimates are subject to risk and uncertainties, and it is possible that changes in estimates could occur which may affect the expected recoverability of the Company's long-lived assets. Based on management's expectations for continued demand for the Company's services, the assumptions utilized to determine the future recoverability of long-lived assets resulted in no indication as at December 31, 2006 that the carrying value of the long-lived assets would not be recoverable in the future.

Goodwill and Intangible Impairment The carrying value of goodwill and intangibles on acquisitions is compared to its fair value at least annually to determine if a permanent impairment exists, at which time the impairment would be recorded as a charge to earnings. Goodwill and intangibles were first recorded by the Company in 2006. Valuations are inherently subjective and necessarily involve judgments and estimates regarding future cash flows and other operational variables. Based on management's expectations for continued demand for the Company's services, the assumptions utilized to test for impairment resulted in no indication as at December 31, 2006 that the carrying value of the goodwill and intangibles on acquisitions was impaired.

Income Taxes The Company follows the liability method of accounting for income taxes. Under this method, the Company records future income taxes for the effect of any difference between the accounting and income tax basis of an asset or liability, using the substantively enacted tax rates. Valuation allowances are established to reduce future tax assets when it is more likely than not that some portion or all of the future tax asset will not be realized. Estimates of future taxable income and the continuation of ongoing prudent tax planning arrangements have been considered in assessing the utilization of available tax losses. Changes in circumstances and assumptions may require changes to the valuation allowances associated with the Company's future tax assets.

Stock-based Compensation Stock-based compensation is calculated using the fair value method based upon the Black-Scholes model. In order to establish fair value, the Company uses estimates and assumptions to determine the risk-free interest rate, expected term, anticipated volatility and anticipated distribution yield. The use of different assumptions could result in different book values for stock-based compensation.

ACCOUNTING POLICIES

The Accounting Standards Board (“AcSB”) of the Canadian Institute of Chartered Accountants (“CICA”) continually amends and improves certain standards or guidelines contained in the CICA Handbook. The Company monitors these changes as they are proposed and will make changes to its accounting policies and disclosures as necessary. The significant accounting policies are the same as those set out in the most recent annual financial statements, other than the following new accounting standards issued by the CICA. These accounting policies were adopted on a prospective basis on January 1, 2007, with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

Comprehensive Income The CICA issued section 1530 of the CICA Handbook, Comprehensive Income. The section is effective for fiscal years beginning on or after October 1, 2006. It describes how to report and disclose comprehensive income and its components. Comprehensive income is the change in the Company’s net assets resulting from transactions, events and circumstances from sources other than the Company’s shareholders. It includes items that would not normally be included in net earnings, such as unrealized gains or losses on available-for-sale investments. The CICA also made changes to section 3250 of the CICA Handbook, Surplus, and reissued section 3251, Equity. The section is also effective for fiscal years beginning on or after October 1, 2006. The changes in how to report and disclose equity and changes in equity are consistent with section 1530, Comprehensive Income. Adopting these sections on January 1, 2007 will require the Company to start reporting the following items in the consolidated financial statements:

Comprehensive income and its components; and
 Accumulated other comprehensive income and its components.

Financial Instruments In accordance with this new standard, all financial instruments must initially be recognized at fair value on the balance sheet. The Company has classified each financial instrument into the following categories: held for trading financial assets and financial liabilities, loans or receivables, held to maturity investments, available for sale financial assets, and other financial liabilities. Subsequent measurement of the financial instruments is based on their classification. Unrealized gains and losses on held for trading financial instruments are recognized in earnings. Gains and losses on available for sale financial assets are recognized in other comprehensive income and are transferred to earnings when the instrument is settled. The other categories of financial instruments are recognized at amortized cost using the effective interest rate method. At January 1, 2007, all of the Company’s financial instruments were classified as either held for trading, loans and receivables, and other financial liabilities. Any transaction costs with respect to financial instruments are expensed in the period incurred.

Embedded derivatives are derivatives embedded in a host contract. They are recorded separately from the host contract when their economic characteristics and risks are not clearly and closely related to those of the host contract, the terms of the embedded are the same as those of a freestanding derivative and the combined contract is not classified as held for trading or designated at fair value. At January 1, 2007 and for the nine months ended September 30, 2007, the Company had no embedded derivatives requiring separate recognition.

Hedges (CICA Handbook Section 3865) The new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. The Company has not designated any hedging relationships for the nine months ended September 30, 2007.

Accounting Changes (CICA Handbook Section 1506) The new recommendations permit voluntary changes in accounting policy only if they result in financial statements which provide more reliable and relevant information. Accounting policy changes are applied retrospectively unless it is impractical to determine the period of cumulative impact of the change. Corrections of prior period errors are applied retrospectively and changes in accounting estimates are applied prospectively by including these changes in earnings. The guidance was effective for all changes in accounting policies, changes in accounting estimates and corrections of prior period errors initiated in periods beginning on or after January 1, 2007.

Inventories (CICA Handbook Section 3031) Inventories, replaces the existing Section 3030 and contains requirements on measurement and disclosure of inventories to converge with International Financial Reporting Standards. Section 3031 is effective for the Company for interim and annual financial statements beginning on January 1, 2008. The Company has not yet determined the impact that the adoption of this change will have on the disclosure in its financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures. They are assisted in this responsibility by the Company's senior management team. Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. An evaluation of the design and operating effectiveness of the Company's disclosure controls and procedures as of December 31, 2006 was performed under the supervision of the Chief Executive Officer and Chief Financial Officer and with the participation of the Company's senior management. The evaluation was performed in accordance with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") control framework adopted by the Company and the requirements of Multilateral Instrument 52-109 of the Canadian Securities Administrators, *Certification of Disclosure in Issuers' Annual and Interim Filings*. The Chief Executive Officer and Chief Financial Officer have concluded, as of the date of this MD&A that the Company's disclosure controls and procedures have been designed and are operating effectively to provide reasonable assurance that material information related to the Company is made known to them by others within the Company.

It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures would prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. There have been no changes to disclosure controls and procedures that occurred over the most recent interim period that have materially affected or are likely to materially affect internal control over financial reporting.

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. An evaluation of the design effectiveness of the Company's internal controls over financial reporting as of December 31, 2006 was performed under the supervisions of the Chief Executive Officer and Chief Financial Officer and with participation of the Company's senior management in accordance with the COSO framework and Multilateral Instrument 52-109. The Chief Executive Officer and Chief Financial Officer have concluded, as of the date of this MD&A, that the Company's internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

As required, the Company records complex and non-routine transactions. These sometimes are extremely technical in nature and require an in-depth understanding of GAAP. To address this risk, the Company consults with its third party expert advisors as needed in connection with the recording and reporting of complex and non-routine transactions. Management does not expect that the internal controls over financial reporting would prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. There have been no changes in internal control over financial reporting that occurred over the most recent interim period that have materially affected or are likely to materially affect internal control over financial reporting.

EXPANSION /GROWTH

In an effort to execute its strategic growth plans, the Company is expanding its services offerings and will be launching two new product lines in the fourth quarter of 2007: Self Generating Nitrogen Division and Tools Division. The Self Generating Nitrogen Division will include the recently deployed three new jumbo nitrogen generation units for land operations and two nitrogen skid type units for offshore service which are expected to be delivered by the end of November 2007. The Tools Division will include new downhole drilling motors. This strategic expansion of services was due to requests by the Company's customers for those services and increased demand for these services will contribute to higher revenue for the Company. The units are scheduled to arrive on time and are included in the Company's budget. The Company is also opening a Longview District and consolidating North Louisiana and Northeast Texas (Barnett Shale area) for the Company's strategic asset deployment. The CT Unit Nine is also being converted into an offshore unit following a recent over the road accident which damaged its tractor and trailer.

Using the combined infrastructures of its Coiled Tubing, Pressure Pumping and Wireline Services divisions, the Company intends to continue its development and growth in Texas, Louisiana and Mississippi, and expand into markets in Oklahoma, Arkansas, New Mexico, Alabama and Florida (collectively the "Southern Territory"). The Company also plans to expand its operations in the mid continent area and the western United States through the possible acquisition of well intervention service companies already operating in those regions. To the extent that it is successful in completing additional acquisitions, the Company plans to retain the management teams, technical services and expertise of any acquired entities. Additionally, the Company intends to market its CT and pressure pumping services to the customer bases of the acquired entities as a way to accelerate the growth of the Company in new geographic markets. The closing of additional acquisitions will depend on, among other factors, both an increase in the Company's existing credit facilities and the raising of additional equity or other capital (including subordinated debt facilities and/or subordinated notes to be offered to sellers for a portion of their purchase consideration).

On April 16, 2007, the Company signed an agreement with Al Qahtani Maritime & Oil Field Services Co. to form a joint venture to exploit the Company's patented WISE® multifunction coil tubing well intervention systems on an exclusive basis in the Middle East, beginning in Saudi Arabia with future expansion opportunities throughout the region (see "CONTRACTUAL OBLIGATIONS AND COMMITMENTS").

On April 19, 2007, the Company signed an agreement with Grupo Creatica, S.A. de C.V., ("Grupo Creatica") to form a joint venture to deploy the Company's patented WISE® multifunction coil tubing well intervention systems on an exclusive basis in Mexico. However, the company subsequently announced the termination of the Mexican joint venture agreement on June 25, 2007 (refer to press release dated June 25, 2007). The company will continue to actively explore alternative avenues to penetrate the Mexican market.

The Company's operations as of September 30, 2007 consist of eleven WISE® CT Units, four additional non-proprietary coiled tubing units acquired through WISE Alberta, two WISE® dual pressure pumps, seven WISE™ pressure pump units, five conventional bulk cement transport units, one large capacity cement field bin unit, one acid transport unit, one WISE® thermal fluid unit, 29 wireline units acquired through WSL, and three high volume (trailer mounted) self generation nitrogen units. The Company intends to grow its fleet of operating equipment and will be purchasing two dual skid nitrogen units in the fourth quarter. The Company has ordered two additional WISE® units and six nitrogen units for the first half of 2008. The actual number of units and pace of deployment will depend on demand, utilization rates of existing units, availability of financing, the pace of manufacturing and other variables beyond the Company's control in whole or in part.

A total of seven new units were delivered at the end of the quarter ending September 30, 2007, a 25% increase over the number of units (excluding wireline units) versus the quarter ending June 30, 2007.

The Company plans to fund this capital expansion through a combination of cash on hand, cash flow from operations, and the raising of additional debt financing.

RISK FACTORS

Obtaining additional capital to fund the Company's operations and finance growth could impair the value of your investment

The Company's plan to deploy additional equipment is based on the availability of additional capital expenditure facilities or equipment leasing alternatives and the assumptions as to the terms thereof. If the Company expands more rapidly than currently anticipated or if working capital needs exceed current expectations, the Company may need to raise additional capital through public or private equity offerings or debt financings. If the Company cannot raise needed funds on acceptable terms, it may not be able to order and deploy the same level of equipment, develop or enhance its products, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. To the extent the Company raises additional capital by issuing equity securities, its shareholders may experience substantial dilution. In the event of issuance of the Company's preferred shares, the preferred shares could be used, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of the Company, which could have the effect of discouraging bids for the Company and thereby prevent shareholders from receiving the maximum value for their shares. A material shortage of capital may require the Company to take steps such as reducing its level of operations, disposing of selected assets or seeking an acquisition partner.

Operating Risk and Insurance

The Company has an insurance and risk management program in place to protect its assets, operations and employees. The Company also has programs in place to address compliance with current safety and regulatory standards. However, the Company's operations are subject to risks inherent in the oilfield services industry, such as equipment defects, malfunction, failures and natural disasters. In addition, hazards such as unusual or unexpected geological formations, pressures, blowouts, fires or other conditions may be encountered in servicing wells. Although such hazards are primarily the responsibility of the oil and natural gas companies which contract with the Company, these risks and hazards could expose the Company to substantial liability for personal injury, loss of life, business interruption, property damage or destruction, pollution and other environmental damages.

Although the Company has obtained insurance against certain of the risks to which it is exposed which it considers adequate and customary in the oilfield services industry, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

The Company is dependent on certain key personnel

The Company and its subsidiaries are dependent on the services of several key personnel, including Jaime Crawford, President and co-founder. The loss of services of any of this individual could impair the Company's ability to complete the domestic and international rollout of its products and services and could have a material adverse effect on the Company's business, financial condition, and results of operations.

The rates charged by the Company for its services may decline over time, which would reduce revenues and adversely affect profitability

As the Company's business becomes more competitive, the Company may experience pressure to decrease the fees for its services, which could adversely affect its revenues and gross margin. If the Company is unable to sell its services at profitable prices, or if the Company fails to offer additional services that achieve sufficient profit margins, its revenue growth could slow and our business and financial results could suffer.

The market for coiled tubing and well services is intensely competitive

The Company's products and services compete with products and services offered by a number of other entities, many of which have long operating histories and are much better capitalized than the Company. The barriers to entry for coiled tubing services and

businesses overall are relatively low considering that coiled tubing unit costs begin at about USD 1 million, making it possible for new competitors to enter the market. However, the Company and its subsidiaries have obtained and are in the process of obtaining patents for its technology that would bar competitors from developing certain equipment that infringes on the key, patented aspects of our technology. Nevertheless, the Company expects that new competitors will enter our market in the future. The Company plans to protect our technology by defending our proprietary rights of ownership and seeking additional patents for specific aspects of its technology, but there is no guarantee that such additional patents will be issued.

Many of PEG's existing and potential competitors have long operating histories in the coiled tubing and well services markets, greater name recognition, larger consumer bases and significantly greater financial, technical and marketing resources than the Company do. Some of PEG's competitors may also be able to provide customers with additional benefits at lower overall costs in an effort to increase market share. The Company cannot be sure that it will be able to match cost reductions that may be implemented by its competitors. PEG's competitors and other companies may form strategic relationships with each other to compete with the Company. These relationships may take the form of strategic alliances, joint marketing agreements, licenses or other contractual arrangements, which arrangements may increase the Company's competitors' ability to address customer needs with their product and service offerings. The Company believes that there is likely to be consolidation in its prospective markets, which could lead to increased price competition and other forms of competition that could cause its business to suffer.

Products that the Company uses may contain design or manufacturing defects, which could result in reduced demand for the Company's services and liability claims against the Company

The Company uses products that are highly complex and may at times contain design or manufacturing errors or failures. The products are deployed in oil and gas fields and offshore rigs that can be dangerous environments. Defects in the units, whether caused by a design, manufacturing or component failure or error, may result in delayed delivery to customers or reduced or cancelled customer orders. In such a case, the Company's business reputation may be impaired. In addition, these defects may result in liability claims against the Company. Any large product liability suits occurring early in the Company's growth could have a material adverse effect on its business, financial condition, and results of operations.

Vulnerability to Market Changes

Fixed costs, including costs associated with operating, leases, labor costs and depreciation will account for a significant portion of the Company's costs and expenses. As a result, reduced productivity resulting from reduced demand, equipment failure, weather or other factors could significantly affect financial results.

Equipment and Technology Risks

The ability of the Company to meet customer demands in respect of performance and cost will depend upon continuous improvements in operating equipment. There can be no assurance that the Company will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by the Company to do so could have a material adverse effect on the Company. No assurances can be given that competitors will not achieve technological advantages over the Company.

The Company has obtained patent protection in respect of the WISE® Technologies. In the future, the Company may seek additional patents or other similar protections in respect of particular tools, equipment and technology, however, the Company may not be successful in such efforts. Competitors may also develop similar tools, equipment and technology to those of the Company thereby adversely affecting the Company's competitive advantage in one or more of its businesses. Additionally, there can be no assurance that certain tools, equipment or technology developed by the Company may not be the subject of future patent infringement claims or other similar matters which could result in litigation, the requirement to pay licensing fees or other results that could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to the Company's Acquisition Strategy

As an integral part of its business strategy, the Company will seek to expand by acquiring additional production enhancement related energy service companies. The timing, size and success of the Company's acquisition efforts and the associated capital commitments cannot be predicted. The Company expects to face competition for acquisition candidates, which may limit the number of acquisition opportunities available to the Company and may lead to higher acquisition prices. There can be no assurance that the Company will be able to identify, acquire or profitably manage additional businesses or successfully integrate acquired businesses, if any, into the Company without substantial costs, delays or other operational or financial difficulties.

Acquisitions involve a number of additional risks, including failure of the acquired businesses to achieve expected results, diversion of management's attention and resources to acquisitions, failure to retain key customers or personnel of the acquired businesses and risks associated with unanticipated events, liabilities or contingencies. Client dissatisfaction or performance problems at a single acquired firm could negatively affect the reputation of the Company. Acquisitions will be accounted for as purchases and may result in substantial annual non cash amortization charges for goodwill and other intangible assets in the Company's statements of operations. If the Company is unable to acquire complementary energy service businesses on reasonable terms or successfully integrate and manage acquired companies, or if performance problems occur at acquired companies, there could be a material adverse effect on the Company.

Need for Additional Financing

The Company's acquisition strategy and equipment deployment strategy will require substantial capital. The Company intends to finance future acquisitions with cash flow from operations, through issuances of Common Shares, and through borrowings under credit facilities or advances under equipment lease facilities. The Company is exploring various lending alternatives to support such future acquisitions. Equipment credit facilities or leasing alternatives are being explored to assist in the financing of additional WISE® units for internal growth and in conjunction with intended acquisitions. There can be no assurance that the Company will obtain these credit or leasing facilities on terms acceptable to the Company or that the Company will enter into any credit or leasing facility at all. In the event that the Company does not obtain a credit facility acceptable to the Company, it is possible that the Company's acquisition strategies or equipment deployment plans could be adversely affected.

Reliance on internally generated cash or debt to complete acquisitions could substantially limit the Company's operational and financial flexibility. The extent to which the Company will be able or willing to use equity to consummate acquisitions will depend on its market value from time to time and the willingness of potential sellers to accept it as full or partial payment. The use of Common Shares or other shares for this purpose may result in significant dilution to then existing shareholders. To the extent the Company is unable to use Common Shares or other shares to make future acquisitions, its ability to grow through acquisitions may be limited by the extent to which it is able to raise capital for this purpose through debt or additional equity financings. No assurance can be given that the Company will be able to obtain the necessary capital to finance a successful acquisition program or its other cash needs. If the Company is unable to obtain additional capital on acceptable terms, it may be required to reduce the scope of its presently anticipated expansion.

Most of the Company's Assets are located outside of Canada

Apart from the recent acquisition of WISE Alberta, all of the Company's assets are currently located in the United States. The Company does not believe that this fact necessarily poses an increased risk of operation, but the Company is subject to laws, regulations, tax rules and legal proceedings in two distinct jurisdictions, which may pose additional complexities in operating and managing the business.

The Company is subject to the cyclical nature of the oil and gas industry

The Company's business depends primarily on the level of activity of exploration and production companies in the U.S. and Canada and the willingness of its customers to make capital expenditures and budget for well service operations is critical to its operations. The levels of such expenditures are influenced by oil and gas prices and industry perceptions of future prices, the cost of exploring for, producing and delivering oil and gas, the ability of oil and gas companies to generate capital, the discovery rate of new oil and gas reserves, and local and international political and economic conditions.

Although activity levels in production and development sectors of the oil and gas industry are less immediately affected by changing prices and as a result, are less volatile than the exploration sector, producers generally react to declining oil and gas prices by reducing expenditures. This has in the past adversely affected, and may in the future adversely affect, the Company's industry. The Company is unable to predict future oil and gas prices or the level of oil and gas industry activity. A prolonged low level of activity in the oil and gas industry will adversely affect the demand for PEG's products and services and PEG's financial condition and results of operations.

The oilfield services industry is highly competitive

The Company will be competing in highly competitive areas of the oilfield services industry. The products and services of PEG's industry segment are sold in highly competitive markets, and its revenues and earnings may be affected by the following factors:

changes in competitive prices; fluctuations in the level of activity in major markets; general economic conditions; and governmental regulation. The Company will be competing with the oil and gas industry's largest integrated and independent oilfield service providers. We believe that the principal competitive factors in the market areas that the Company serve are price, product and service quality, availability, technical proficiency, demonstrable production enhancement and safety. The Company's operations may be adversely affected if its current competitors or new market entrants introduce new products or services with better features, performance, prices or other characteristics than our products and services. Competitive pressures or other factors also may result in significant price competition that could have a material adverse effect on the Company's results of operations and financial condition.

Dependence on Suppliers

The ability of the Company to compete and grow will be dependent on the Company having access, at a reasonable cost and in a timely manner, to equipment, parts and components. The Company has a Manufacturing Agreement in place with a related party to produce its WISE® CT Units, which the Company believes contains favourable terms to the Company for cost of construction and delivery schedules. The inability of such related party to construct units under the Manufacturing Agreement for any reason could eliminate what the Company believes to be a competitive advantage in this regard. The Company is seeking to reduce this dependence by securing manufacturing contracts with alternative sources of components and/or manufacturers who can assemble the completed equipment units. Failure of such related party or other suppliers to deliver equipment, parts and components at a reasonable cost and in a timely manner would be detrimental to the Company's ability to maintain existing customers and expand its customer list. No assurances can be given that the Company will be successful in maintaining its required supply of equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company's capital expenditure program may be greater than anticipated by management, and may be greater than funds available to the Company, in which circumstance the Company may curtail or extend the timeframes for completing, its capital expenditure plans. This could have an adverse affect on the financial results of the Company.

Credit Risk

A substantial portion of the Company's accounts receivable are with customers involved in the oil and natural gas industry, whose revenues may be impacted by fluctuations in commodity prices. Although collection of these receivables could be influenced by economic factors affecting this industry, management considers the risk of a significant loss to be remote at this time. The Company does not have significant exposure to any individual customer other than five major independent oil and natural gas companies that accounted for approximately 34.14% of the revenue for the year ended December 31, 2006. The largest of these customers accounted for approximately 10.52% of revenues for the year, and no other customer made up more than 10% of the revenue for this period.

Environmental Liability

The Company's business is significantly affected by national and state or provincial laws and other regulations relating to the oil and gas industry and by changes in such laws and the level of enforcement of such laws. PEG is unable to predict the level of enforcement of existing laws and regulations, how such laws and regulations may be interpreted by enforcement agencies or court rulings, or whether additional laws and regulations will be adopted. The Company is also unable to predict the effect that any such events may have on it, its business, or its financial condition. In addition, demand for the Company's services is affected by changing taxes, price controls and other laws and regulations relating to the oil and gas industry generally. The adoption of laws and regulations curtailing exploration, development and drilling for oil and gas in the Company's areas of operations for economic, environmental or other policy reasons could also adversely affect its operations by limiting demand for its services. PEG also has potential environmental liabilities with respect to our offshore and onshore operations. Certain environmental laws provide for joint and several liabilities for remediation of spills and releases of hazardous substances. These environmental statutes may impose liability without regard to negligence or fault. In addition, the Company may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. The Company believes that its planned operations will substantially comply with applicable national and state or provincial pollution control and environmental protection laws and regulations with no material adverse effect on financial results. However, such environmental laws are changed frequently. Sanctions for non-compliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. The Company is unable to predict whether environmental laws will materially adversely affect its future operations and financial results.

The Company's need to attract and retain skilled workers may impair growth potential and profitability

The Company's ability to remain productive and profitable will depend substantially on its ability to attract and retain skilled workers. The Company's ability to expand its operations is in part impacted by its ability to increase its labor force. The demand for skilled

oilfield employees is high, and the supply is very limited. A significant increase in the wages paid by competing employers could result in a reduction in the Company's skilled labor force, increases in the wage rates paid by the Company, or both. If either of these events occurred, the Company's capacity and profitability could be diminished, and its growth potential could be impaired.

Weather Related Risks

As seen during the 2005 and 2007 Hurricane season in the Gulf of Mexico, weather can have a significant impact on the ability to provide well intervention services in the area affected. The Company believes the combination of two very strong storms in 2005 (Rita and Katrina) in the same area was an unusual occurrence. Although there were no hurricanes in the Gulf of Mexico in 2006, hurricanes affect the Company's business most years as crews and equipment are forced to evacuate manned platforms from the time the storms enter the Gulf of Mexico until they make landfall, disrupting revenues and adding costs of storm preparation and the potential risk of damage to equipment or injuries. In 2007, numerous tropical storms in the Gulf of Mexico impacted results. Weather can also affect operations on land due to delays in projects, delays and increased costs of mobilization and other factors. Seasonal weather patterns and weather events common in other areas beyond the Gulf Coast are expected to adversely affect the Company as it expands into new geographic markets. The Company is also designing its new units to be deployable offshore or onshore within a turnaround time of less than a day. This will further reduce the Company's exposure to adverse weather conditions in the offshore markets.

Terrorist Attack

Terrorist activities, anti-terrorist efforts and other armed conflict involving the United States may adversely affect the United States and global economies and could prevent the Company from meeting its financial and other obligations. If any of these events occur, the resulting political instability and societal disruption could reduce overall demand for oil and natural gas, potentially putting downward pressure on demand for the Company's services and causing a reduction in its revenues. Oil and gas related facilities could be direct targets of terrorists attacks, and the Company's operations could be adversely impacted if infrastructure integral to customers' operations is destroyed or damaged. Costs for insurance and other security may increase as a result of these threats, and some insurance coverage may become more difficult to obtain, if available at all.

SUBSEQUENT EVENTS

On October 1, 2007, the Company appointed a Chief Operating Officer of WISE Well Intervention Services, Inc. The COO responsibilities will include directing and administering the operating divisions of WISE (Coiled Tubing, Nitrogen, Pressure Pumping and Wireline Services) and assisting the Company's President and CEO in the development and execution of corporate strategies and strategic objectives.

On October 9, 2007, the Board of Directors of the Company terminated the employment of the Chief Executive Officer. The Board has appointed a committee of independent directors to oversee the search for a new CEO. The President of the Company will assume responsibility for leadership of the Company. On October 30, 2007 the former CEO resigned his positions as Director and Chairman of the Board of the Company.

On October 31, 2007, additional Preferred Shares were issued as payment in kind dividends for June 1, 2007 and September 1, 2007. A total of 143,414 and 175,693 were issued for June 1, 2007 and September 1, 2007 respectively. The cash dividend due in the amount of USD 11.55 for the fractional shares will be paid in the fourth quarter of 2007.

In November 2007, the Company will amend the terms of the Preferred Share Warrants to include a cashless exercise option and grant one (1) additional Warrant for each ten (10) existing Warrants held. The Company will also grant "piggyback" registration rights to these holders in the event the Company were to file a registration statement under the United States Securities Act of 1933 under certain circumstances. The cashless exercise option will allow a holder of a Warrant to elect to exchange the Warrant for a number of Common Shares equal to the difference between the value of the Common Shares at the time of exercise and the original Warrant exercise price per Common Share (which remains at CAD 1.24 per Common Share). The additional Warrants will have the exact same terms as the existing Warrants, including the cashless exercise option. The registration rights would allow an electing holder to register some or all of its Common Shares for sale in a registered public offering filed by the Company under certain defined circumstances if the Common Shares receivable upon conversion of the Preferred Shares or receivable upon exercise of the Warrants were otherwise restricted from resale under United States securities regulations at such time.

The repricing of the existing non-officers' and non-insiders' stock option is dependent on final review and approval from the Toronto Stock Exchange which was obtained on October 2, 2007.