FOCUS DISCIPLINE GROWTH

Third Quarter Report 2007

TOTAL ENERGY SERVICES TRUST

Total Energy Services Trust ("Total Energy" or the "Trust") is a growth oriented energy services income trust based in Calgary, Alberta. Through its wholly-owned subsidiaries, Total Energy is involved in two core business sectors. The first is DRILLING SERVICES comprised of contract drilling and the rental and transportation of equipment used in the drilling and production of oil and natural gas wells. The second is PRODUCTION SERVICES consisting of the fabrication, sale, rental and servicing of new and used natural gas compression equipment. Together these businesses provide a platform for building long-term unitholder value. Total Energy has achieved its growth by maintaining a disciplined acquisition strategy and undertaking strategic internal growth.

The trust units of Total Energy are listed and trade on the Toronto Stock Exchange under the symbol TOT.UN.

REPORT TO UNITHOLDERS

FINANCIAL RESULTS

Total Energy's financial results for the three months ended September 30, 2007 represent continued challenging industry conditions in Western Canada, particularly within the natural gas segment. Revenues decreased 51% to $24.4 million for the three months ended September 30, 2007, compared to $49.9 million for the same period in 2006. For the three months ended September 30, 2007 the Trust generated EBITDA of $7.8 million ($0.26 per unit diluted), cashflow of $8.6 million ($0.29 per unit diluted) and net earnings of $5.2 million ($0.18 per unit diluted).

Total Energy's balance sheet remains strong. Total assets increased to $216.9 million as at September 30, 2007 from $213.6 million at December 31, 2006. Unitholders' equity decreased to $130.2 million as at September 30, 2007 from $136.7 million at December 31, 2006, due in part to the repurchase and cancellation of 164,602 Units at an average price of $10.16 per Unit under the Trust's normal course issuer bid. Working capital increased to $21.2 million at September 30, 2007 compared to $15.9 million at December 31, 2006.

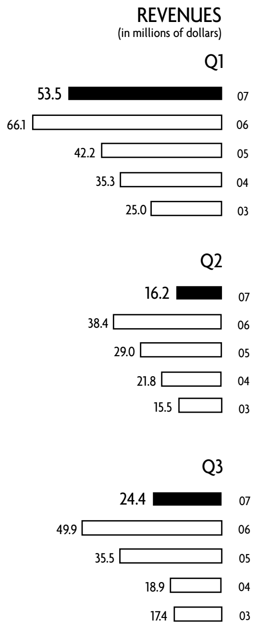
OUTLOOK

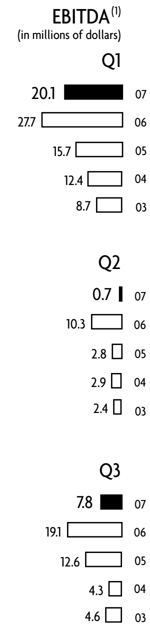
Continued weakness in natural gas prices combined with uncertainty surrounding the impact of recently announced changes to the royalty regime in Alberta have resulted in continued challenging industry conditions in Western Canada. In light of such environment, the fact that no additional material cash tax refunds are recoverable and increased opportunities to reinvest cash flow into accretive acquisitions (including the repurchase of Units under the Trust's existing normal course issuer bid and the recently announced $9.4 million acquisition of the operating assets of Oilpatch Rentals Ltd. that is scheduled to close effective December 1, 2007), the Trust has determined to reduce its monthly distribution to $0.03/unit ($0.36/unit per annum) beginning for the month of November 2007. This monthly distribution has been determined with the primary objective of retaining a substantial portion of pre-tax cash flow to invest in further growth opportunities.

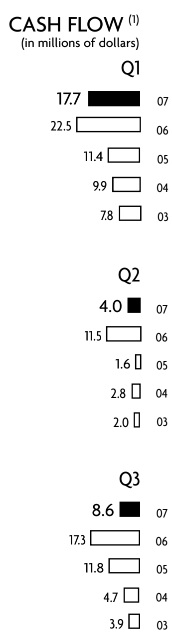
Total Energy is pleased to announce the expansion of its Drilling and Production Rentals division into southeastern Saskatchewan through the recent opening of a branch in the Weyburn/Midale area. This strategic expansion will provide the Trust with a platform from which to diversify its geographic and commodity exposure.

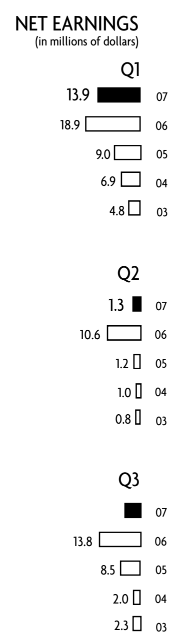
Total Energy's balance sheet remains strong, with a long term debt to equity ratio of 0.16 to 1, a strong positive working capital position and essentially no net debt. With a reduced distribution going forward and the ability to add further leverage to the balance sheet, Total Energy is well positioned to pursue opportunities that will create substantial value for Unitholders. Total Energy also welcomes Mr. Brad Macson, P.Eng., to the senior management team. Mr. Macson joined Total Energy on November 1, 2007 as Vice President of Operations.

DANIEL K. HALYK
President & Chief Executive Officer
November 2007









(1) EBITDA means earnings before interest, taxes, depreciation and amortization and is equal to earnings before income taxes plus interest on long-term debt plus other interest expense plus depreciation. Cashflow means cash flows from operations before changes in non-cash working capital items. EBITDA and cashflow are not recognized measures under Canadian generally accepted accounting principles (GAAP). Management believes in addition to net earnings, EBITDA and cashflow are useful supplemental measures as they provide an indication of the results generated by the Trust's primary business activities prior to consideration of how those activities are financed, amortized or how the results are taxed in various jurisdictions as well as the cash generated by the Trust's primary business activities. Investors should be cautioned, however, that EBITDA and cashflow should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of Total Energy's performance. Total Energy's method of calculating EBITDA and cashflow may differ from other organizations and, accordingly, EBITDA and cashflow may not be comparable to measures used by other organizations.

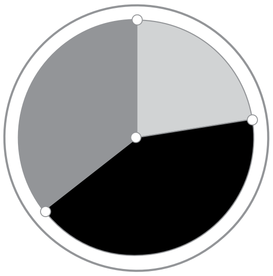
SEGMENTED INFORMATION

FOR THE NINE MONTHS ENDED SEPTEMBER 30

(in thousands of Canadian dollars; Unaudited)

REVENUE DIVERSIFICATION

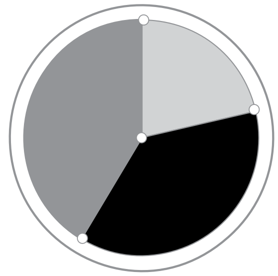
2007



$94,056

$21,210	●	Contract drilling
$39,645	●	Drilling and production rentals
$33,201	●	Gas compression

2006

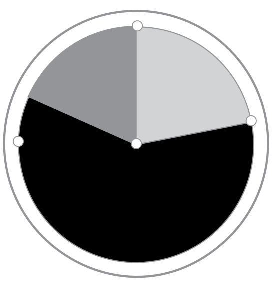


$154,447

$33,369	●	Contract drilling
$57,286	●	Drilling and production rentals
$63,792	●	Gas compression

OPERATING EARNINGS [1]

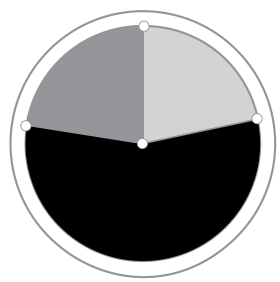
2007



$18,355

$4,767	●	Contract drilling
$12,867	●	Drilling and production rentals
$3,888	●	Gas compression
$(3,167)	○	Other [2]

2006



$46,989

$11,023	●	Contract drilling
$28,187	●	Drilling and production rentals
$11,333	●	Gas compression
$(3,554)	○	Other [2]

(1) Operating earnings (loss) are earnings before gain (loss) on sale of equipment and income taxes.
(2) Other includes the Trust's corporate activities.




MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

The following MD&A, dated November 8, 2007, focuses on key statistics from the consolidated financial statements of Total Energy Services Trust (the "Trust" or "Total Energy") and pertains to known risks and uncertainties relating to the energy services industry. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. This discussion and analysis of the financial condition and results of operations for the three and nine months ended September 30, 2007, should be read in conjunction with the unaudited interim consolidated financial statements for the three and nine months ended September 30, 2007 and related notes and material contained in other parts of this report. As well, this discussion and analysis of the financial condition and results of operations for the three and nine months ended September 30, 2007, should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2006 and related notes and material contained in other parts of the 2006 Annual Report as well as the Trust's Annual Information Form ("AIF"). Additional information relating to Total Energy, including the Trust's AIF, may be found on SEDAR at www.sedar.com. Unless otherwise indicated, all dollar amounts presented herein are in Canadian dollars.

FORWARD-LOOKING STATEMENTS

Certain information and statements contained in this MD&A constitute forward-looking information, including the anticipated costs associated with the purchase of capital equipment, expectations concerning the nature and timing of growth within the various business divisions operated through affiliates of Total Energy, expectations respecting the competitive position of such business divisions, expectations concerning the financing of future business activities, statements as to future economic and operating conditions and opinions concerning the magnitude of any future redemptions of Trust Units. Readers should review the cautionary statement respecting forward-looking information that appears below.

The information and statements contained in this MD&A that are not historical facts are forward-looking statements. Forward-looking statements (often, but not always, identified by the use of words such as "seek", "plan", "continue", "estimate", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "expect", "may", "anticipate" or "will" and similar expressions) may include plans, expectations, opinions, or guidance that are not statements of fact. Forward-looking statements are based upon the opinions, expectations and estimates of management as at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These factors include, but are not limited to, such things as changes in industry conditions (including the levels of capital expenditures made by oil and gas producers and explorers), the credit risk to which the Trust is exposed in the conduct of its business, fluctuations in prevailing commodity prices or currency and interest rates, the competitive environment to which the various business divisions are, or may be, exposed in all aspects of their business, the ability of the Trust's various business divisions to access equipment (including parts) and new technologies and to maintain relationships with key suppliers, the ability of the Trust's various business divisions to attract and maintain key personnel and other qualified employees, various environmental risks to which the Trust's business divisions are exposed in the conduct of their operations, inherent risks associated with the conduct of the businesses in which the Trust's business divisions operate, timing and costs associated with the acquisition of capital equipment, the impact of weather and other seasonal factors that affect business operations, availability of financial resources or third-party financing and the impact of new laws and regulations or changes in existing laws, regulations or administrative practices on the part of regulatory authorities, including without limitation taxation and environmental laws and regulations and changes in how such laws and regulations are interpreted and enforced. Forward-looking information respecting the anticipated costs associated with the purchase of capital equipment are based upon historical prices for various classes of equipment, expectations relating to the impact of inflation on the future cost of such equipment and management's views concerning the negotiating position of the Trust and its affiliates. Forward-looking information concerning the nature and timing of growth within the various business divisions is based on the current budget of the Trust (which is subject to change), factors that affected the historical growth of such business divisions, sources of historic growth opportunities and expectations relating to future economic and operating conditions. Forward-looking information concerning the future competitive position of the Trust's business divisions is based upon the current competitive environment in which those business divisions operate, expectations relating to future economic and operating conditions, current and announced build programs and other expansion plans of other organizations that operate in the energy service business. Forward-looking information concerning the financing of future business activities is based upon the financing sources on which the Trust and its predecessors have historically relied and expectations relating to future economic and operating conditions. Forward-looking information concerning future economic and operating conditions is based upon historical economic and operating conditions, opinions of third-party analysts respecting anticipated economic and operating conditions. Forward-looking information respecting the magnitude of any future redemptions of outstanding Trust Units is based upon the rights of holders of Trust Units, as set out in the Trust Deed governing the Trust Units, expectations respecting the preferred liquidity strategy for holders of Trust Units and the existence of a liquid market for the Trust Units at all material times. Although management of the Trust believes that the expectations reflected in such forward looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Accordingly, readers should not place undue reliance upon any of the forward-looking information set out in this MD&A. All of the forward looking statements of the Trust contained in this MD&A are expressly qualified, in their entirety, by this cautionary statement. The various risks to which the Trust is exposed are described in additional detail in this MD&A under the heading "Risk Factors" below and in the Trust's AIF.

NON-GAAP MEASURES

Operating earnings are earnings before gain on sale of equipment and income taxes. EBITDA means earnings before interest, taxes, depreciation and amortization and is equal to earnings before income taxes plus interest on long-term debt plus other interest expense plus depreciation. Cashflow means cash provided by operations before changes in non-cash working capital items. Operating earnings, EBITDA and cashflow are not recognized measures under GAAP. Management believes that in addition to net earnings, operating earnings, EBITDA and cashflow are useful supplemental measures as they provide an indication of the results generated by the Trust's primary business activities prior to consideration of how those activities are financed, amortized or how the results are taxed in various jurisdictions as well as the cash generated by the Trust's primary business activities without consideration of the timing of the monetization of non-cash working capital items. Readers should be cautioned, however, that operating earnings, EBITDA and cashflow should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of Total Energy's performance. Total Energy's method of calculating operating earnings, EBITDA and cashflow may differ from other organizations and, accordingly, operating earnings, EBITDA and cashflow may not be comparable to measures used by other organizations.

BUSINESS OF THE TRUST

Total Energy is an open-end, unincorporated mutual fund trust governed by the laws of the Province of Alberta. Through its wholly owned subsidiary, Total Energy Services Ltd. (the "Company"), (and the Company's two operating divisions) and its wholly owned limited partnership, Total Energy is involved in two core energy service business sectors. The first is Drilling Services, which is comprised of contract drilling services ("Chinook Drilling" or "Chinook") and the rental and transportation of equipment to the oil and gas industry ("Total Oilfield Rentals"). The second is Production Services, which consists of the fabrication, sale, rental and servicing of new and used natural gas compression equipment ("Bidell Equipment" or "Bidell"). The operations of the Trust are conducted entirely within the Western Canadian Sedimentary Basin ("WCSB") and currently Total Energy has no present intention of expanding outside of this area.

VISION, CORE BUSINESS AND STRATEGY

Total Energy is focused on building sustainable value for its unitholders through the disciplined management of its operations and a commitment to growing its business in a capital efficient manner. Historically, Total Energy has intentionally levered its business more towards the exploration and production of natural gas than conventional oil. The Trust has done this by its focus on establishing significant operations in northwestern Alberta and northeastern British Columbia (which is considered to be a relatively undeveloped natural gas prone area) and its involvement in the gas compression business. Recently, Total Energy has expanded its geographical presence in the WCSB to include areas prone to oil exploration and development. Management believes that Total Energy's existing business divisions provide a platform for building long-term unitholder value. Total Energy has achieved its growth by maintaining a disciplined acquisition strategy and undertaking strategic internal growth. The Trust intends to achieve ongoing expansion through internal growth and accretive acquisitions.

Generally, the Trust's business strategy and marketing plans and strategy are as follows:

Contract Drilling Services: The Trust has targeted the sub-3000 meter market in western Canada. Currently the Trust operates a fleet of thirteen rigs all constructed in 1997 or later. Of these rigs, eleven are Rigmaster P-500 telescopic doubles rated to depths of up to 3,000 meters and two are Failing 3500 singles rated to 1,200 meters. The Trust is currently focused on establishing a rig fleet of 15-20 rigs to obtain the marketing and operational efficiencies enjoyed by a larger fleet. The Trust expects to pursue the growth of its fleet through organic growth and the acquisition of modern and efficient equipment that is complementary to its existing fleet in an effort to distinguish its equipment from the competition and attract quality operations personnel.

Drilling and Production Rentals: Northwestern Alberta and northeastern British Columbia is the primary market for the Trust's drilling and production rentals and oilfield transportation services. Total Energy recently expanded its operations into northeastern Alberta and southeastern Saskatchewan. The Trust operates out of fifteen locations throughout Alberta, northeastern British Columbia and southeastern Saskatchewan. The Trust currently owns and operates approximately 3,500 pieces of rental equipment as well as a modern fleet of 66 heavy trucks. The Trust intends to maintain a modern and high quality equipment base supported by an extensive branch network to maintain a significant presence in its target market. The Trust intends to pursue opportunities, both internal and acquisition, to increase its market share in northwestern Alberta, northeastern British Columbia, and southeastern Saskatchewan and to expand its geographic presence within the WCSB.

Gas Compression Services: The Trust has targeted the sub-2000 horsepower gas compression market in western Canada. Recently, the Trust has expanded its market to include international sales. The Trust has and will continue to compete with its larger competitors by providing quality equipment and maintaining an efficient business model. The Trust has also recently increased its in-house engineering capabilities in order to focus on developing proprietary equipment designs that provide solutions to its customers. During 2006 Total Energy applied for patent protection in Canada and the United States for its proprietary trailer-mounted compression package. Additional international patent protection is pending. The Trust intends to grow its natural gas compression rental business and, as such, expects to increase the amount of total horsepower in its rental fleet.

OVERALL PERFORMANCE

The third quarter of 2007 saw improved performance and an increase in industry activity levels for the Trust as compared to the previous quarter, due primarily to the seasonality of the Trust's operations. However, industry activity levels in the energy services industry in western Canada were significantly lower in the third quarter of 2007 as compared to the same period in 2006. Industry activity levels continue to be negatively impacted by the near-term weakness in natural gas prices notwithstanding oil prices remain high by historical levels. Additional industry uncertainty created by the Alberta royalty review process also negatively impacted activity levels during the third quarter.

Net earnings for the Trust for the three and nine months ended September 30, 2007 were $5.2 million and $20.4 million, respectively, as compared to $13.8 million and $43.2 million, respectively, for the same periods in 2006. These figures represent decreases of 62% and 53%, respectively, over the same periods in 2006. These decreases were due to reduced activity levels for all divisions for the first nine months of 2007 as compared to the same period in 2006.

The Trust's financial condition remained strong during the first nine months of 2007, notwithstanding the decline in industry activity levels. As at September 30, 2007 long-term debt (including obligations under capital leases) to equity was 0.16 to 1.0 and the Trust had $21.2 million of working capital, being current assets minus current liabilities. Capital asset additions of $1.8 million ($0.2 million net of disposals) and $8.9 million ($5.5 million net of disposals) were made during the three and nine months ended September 30, 2007 respectively.

KEY PERFORMANCE DRIVERS

Total Energy believes the following key performance drivers are critical to the success of its business.

- Oil and natural gas prices and the resulting cash flows, access to debt and equity financing and capital expenditures of its customers, the exploration and development companies that operate in the WCSB.
- The expectations of its customers as to future oil and natural gas prices.
- The expectations of its customers as to oil and natural gas exploration and development prospects in the WCSB.
- The prevailing competitive conditions in each of the business segments in which Total Energy competes.
- Interest rates and the Trust's access to debt and equity, which affect the cost of capital and economic rate of return on the Trust's assets.
- Weather, which impacts both the ability to operate in the WCSB, as well as the overall demand for natural gas and heating oil.
- Effect of non-market forces such as government royalty and taxation policy, government incentives for renewable energy and regulatory changes, which create market uncertainty and affect industry activity levels.
- Access to, and retention of, qualified personnel.

There are several key performance measures the Trust uses to monitor and assess its performance relative to the key performance drivers, the implementation of its strategy, and the achievement of its goals and vision. Such measures include:

- Return on invested capital.
- Safety and environmental stewardship. The Trust has a health, safety and environmental management policy in place within each of its operating divisions. Targets and objectives are set within those policies.

CAPABILITY TO DELIVER RESULTS

Non-Capital Resources: People are the most critical non-capital resource required in order for the Trust to achieve its goals set out in its strategic plan. The Trust is continually evaluating its human resources levels to ensure that it has adequate human resources to meet its business requirements. In addition, succession planning is ongoing in order to mitigate the impact of planned or unplanned departures of key personnel. The Trust believes that it presently has sufficient human resources to successfully operate its business and to execute its strategic plan.

Capital Resources: The Trust has the necessary working capital to meet its current obligations and commitments and has no off-balance sheet financing arrangements. In order to finance future growth, Total Energy anticipates utilizing a combination of working capital, cashflow, existing and new debt facilities and new equity issuances.

Systems and Processes: The Trust's operational systems and processes are continually reviewed by management. The Trust periodically evaluates existing systems and develops new ones as required. Total Energy believes that it presently has sufficient systems and processes in place to successfully operate its business and to execute its strategic plan.

In addition to certain risks, which are explained under the heading "Risk Factors" below and in the Trust's AIF, the following factors impact Total Energy's business:

Seasonality and Cyclicality: The Trust's business is cyclical due to the nature of its customers' cash flows and capital expenditures. Customers' cash flows and capital expenditures are in turn affected by, among other things, oil and gas prices, access to capital, the prospects for oil and gas exploration and development in the WCSB and economics of oil and gas exploration and production in the WCSB compared to the economics of international opportunities. The Trust currently has no material long-term contracts in place for the provision of its services.

Seasonality impacts the Trust's operations. The Trust's operations are carried on in the WCSB. The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until such roads have thoroughly dried out. The duration of this "spring breakup" has a direct impact on the Trust's activity levels. In addition, many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen hard enough to support equipment. The timing of freeze up and spring breakup affects the ability to move equipment in and out of these areas. As a result, late March through May is traditionally the Trust's slowest period.

Trends and Outlook: The Trust believes that long-term fundamentals require continued exploration and production in the WCSB to meet continued North American and world-wide demand for oil and natural gas. The Trust has levered its operations towards the exploration and production of natural gas as the Trust sees this commodity to be a strong driver of exploration and production activity in the WCSB in the future. This is due to the fact that natural gas reserves in the basin are generally less developed than conventional oil reserves, that natural gas is the North American heating fuel of choice, and that the Trust believes that demand will continue to increase for natural gas in the United States and in Alberta as oil production levels at the Alberta oilsands continue to increase. Natural gas well completions accounted for approximately 69% of wells drilled in the WCSB in 2006, as compared to approximately 65% for the first nine months of 2007. According to certain industry analysts the percentage of natural gas well completions as a percentage of total wells drilled are expected to decline over the next two years, due to the relative strengthening of oil prices as compared to natural gas prices that began in 2006. The Trust has recently expanded its geographic presence in the WCSB to include areas prone to oil exploration and development. Many industry analysts also predicted that the total wells drilled in the WCSB during 2007 will be materially lower than in 2006. In the first nine months of 2007 there were 13,950 total wells drilled in the WCSB, as compared to 15,478 over the same period in 2006. The oil and gas service industry is highly reliant on the levels of capital expenditures made by oil and gas producers and explorers to find and produce oil and natural gas. These companies base their capital expenditures on several factors, including but not limited to current and expected hydrocarbon prices, exploration and development prospects and access to capital. Activity levels are ultimately dependent on these above and other factors. Exploration and development companies have generally indicated that their 2007 WCSB capital budgets will decline compared to 2006 capital expenditure levels.

Governmental and Environmental Regulation and Risk Management: The Trust has a comprehensive insurance and risk management program in place to protect its assets, operations and employees. The Trust also has programs in place to ensure it meets or exceeds current safety and environmental standards. The Trust has safety and environmental personnel responsible for maintaining and developing the Trust's policies and monitoring the Trust's operations in each division to ensure they are in compliance with such policies and applicable legislation. The safety and environmental personnel report to the divisional General Managers and directly to the Vice President of Operations of the Trust.

SELECTED FINANCIAL INFORMATION

The results for the three and nine months ended September 30, 2007 reflect a decrease in industry activity levels and, to a lesser extent, a decrease in pricing levels compared to the same periods in 2006, offset somewhat by an increase in the Trust's capacity due to the capital expenditures in each of the Trust's divisions during 2006 and the first nine months of 2007.

RESULTS OF OPERATIONS

Consolidated Revenue

Revenues decreased 51% to $24.4 million for the three months ended September 30, 2007 versus $49.9 million for the same period in 2006, and decreased 39% to $94.1 million for the nine months ended September 30, 2007 versus $154.4 million for the same period in 2006.

DIVISIONAL REVENUE

Divisional revenues for the three months ended September 30, 2007 were $6.3 million for Contract Drilling Services, $11.7 million for Drilling and Production Rentals and $6.4 million for Gas Compression Services. Divisional revenues for the nine months ended September 30, 2007 were $21.2 million for Contract Drilling Services, $39.7 million for Drilling and Production Rentals and $33.2 million for Gas Compression Services.

Contract Drilling Services

The revenue reported from Total Energy's Contract Drilling Services division decreased by 47% to $6.3 million for the three months ended September 30, 2007 as compared to $11.9 million for the same period in 2006, and decreased by 37% to $21.2 million for the nine months ended September 30, 2007 as compared to $33.4 million for the same period in 2006. Revenue decreased due primarily to decreases in WCSB drilling activity levels which resulted in lower utilization rates and decreased pricing. For the third quarter of 2007 the Contract Drilling Services division achieved a utilization rate, on a spud to release basis, of 34% and a year to date utilization rate of 35%, as compared to 63% and 59% respectively, for the same periods in 2006. Operating days (spud to release) for the three and nine months ended September 30, 2007 totaled 411 days and 1,184 days respectively, as compared to 664 days and 1,783 days respectively for the same period in 2006. The operating days for the three and nine months ended September 30, 2007 reflect twelve rigs for the first half of 2007 with a thirteenth rig added at the beginning of the third quarter of 2007, as compared to eleven rigs for 2006 up until August 23, 2006 when a twelfth rig was added. Revenue per operating day received for contract drilling services for the three and nine months ended September 30, 2007 decreased by approximately 13% and 4% respectively as compared to the same periods in 2006.

Drilling and Production Rentals

The revenue reported from Total Energy's Drilling and Production Rentals division decreased by 34% from $17.6 million in the third quarter of 2006 to $11.7 million in the third quarter of 2007, and decreased by 31% from $57.3 million for the nine months ended September 30, 2006 to $39.7 million for the same period in 2007. Revenue decreased from the prior year primarily due to decreased utilization and decreased pricing that was somewhat offset by a larger rental and trucking fleet. Average utilization of the rental assets was 35% and 36% respectively for the three and nine months ended September 30, 2007, as compared to 58% and 59% respectively during the corresponding periods in 2006. This division exited the third quarter of 2007 with approximately 3,500 pieces of rental equipment, compared to approximately 3,400 pieces as at September 30, 2006. This division also exited the third quarter of 2007 with a fleet of 66 heavy trucks, compared to 58 heavy trucks at September 30, 2006.

Gas Compression Services

The revenue reported from Total Energy's Gas Compression Services division decreased 69% to $6.4 million in the third quarter of 2007 as compared to $20.5 million for the same period in 2006, and decreased 48% to $33.2 million for the nine months ended September 30, 2007 as compared to $63.8 million for the same period in 2006. The decrease in revenue was attributable to weaker demand by this division's customers in the first nine months of 2007 as compared to the same period in 2006, although weakness in Canadian demand was offset somewhat by international demand. This division exited the third quarter of 2007 with a backlog of fabrication orders of approximately $17.5 million, as compared to a backlog of $30.4 million as at September 30, 2006. A significant portion of the backlog at September 30, 2007 relates to international orders. At September 30, 2007 the total horsepower of compressors on lease was approximately 9,000 as compared to approximately 9,900 as at September 30, 2006. The compression rental fleet experienced an average utilization of 92% for the first nine months of 2007 as compared to 95% for the same period in 2006.

Other

Total Energy's other division consists of the Trust's Corporate activities. The Other division does not include any operational activities relating to Total's business and therefore does not generate any revenue.

Operating Expenses

Operating expenses decreased 50% for the three months ended September 30, 2007 to $13.4 million as compared to $26.8 million for the same period in 2006, and decreased 35% to $54.9 million for the nine months ended September 30, 2007 as compared to $84.5 million for the same period in 2006. The decrease was due to the decreased activity in all of Total Energy's operating divisions in the first nine months of 2007 as compared to the same period in 2006. The gross margin decreased during the three months ended September 30, 2007 to 45%, as a percentage of revenue, as compared to 46% for the same period in 2006, and decreased to 42% for the nine months ended September 30, 2007 as compared to 45% for the same period in 2006. The decrease in gross margin can be attributed to lower revenues partially offset by lower operating costs within all divisions. The relative revenue contribution from each operating division also impacts the gross margin. A more detailed margin analysis for each division is presented in the discussion of Operating Earnings. Operating expenses consist of salaries and benefits for operations personnel, repairs, maintenance, fuel, manufacturing costs and trucking costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by 20% to $3.5 million in the third quarter of 2007 as compared to $4.4 million during the same period in 2006, and decreased by 17% for the nine months ended September 30, 2007 to $11.2 million from $13.5 million during the same period in 2006. These decreases resulted from the decrease in activity levels for all divisions. Included in these costs are compensation for directors and officers pursuant to the Trust's cash based compensation plan. Selling, general and administrative expenses also include salaries and benefits for office staff, rent, utilities, and communications in the Trust's various divisional offices and its corporate head office. Selling, general and administrative expenses also include professional fees and other costs to maintain the Trust's public listing.

Depreciation Expense

Depreciation expense decreased 3% during the three months ended September 30, 2007 to $2.8 million as compared to $2.9 million for the same period in 2006, and increased 1% to $8.3 million for the nine months ended September 30, 2007 as compared to $8.2 million for the same period in 2006. The decrease during the three months ended September 30, 2007 was primarily due to lower utilization within the Contract Drilling division, which was partially offset by the Trust's expanded equipment base in the Drilling and Production Rentals division. The slight increase in depreciation during the nine months ended September 30, 2007 was due primarily to the Trust's expanded equipment base. All of the Trust's property, plant and equipment are depreciated on a straight-line basis with the exception of contract drilling equipment which is depreciated on a utilization basis.

Other Interest Expense

Other interest expense was $0.2 million for the three months ended September 30, 2007 as compared to $0.1 million for the same period in 2006, and totaled $0.6 million for the nine months ended September 30, 2007 as compared to $0.2 million in the prior year's comparable period. Other interest expense is interest paid on advances under the Trust's operating line of credit.

Interest on Long-term Debt

Interest on long-term debt decreased 9% in the three months ended September 30, 2007 to $285,000 as compared to $313,000 for the same period in 2006, and decreased 20% for the nine months ended September 30, 2007 to $0.8 million as compared to $1.0 million in the prior year's comparable period. The decrease was due primarily to a decrease in the Trust's average long-term debt balance in the first nine months of 2007 as compared to the same period in 2006, offset in part by higher applicable interest rates on long-term debt. Included in interest on long-term debt is interest on capital leases.

Operating Earnings

Operating earnings decreased 73% to $4.2 million for the three months ended September 30, 2007 as compared to $15.4 million for the same period in 2006, and decreased 61% for the nine months ended September 30, 2007 to $18.4 million as compared to $47.0 million for the same period in 2006. The decreased operating earnings for the nine months ended September 30, 2007 are due to decreased operating earnings in all divisions.

The Contract Drilling Services division had operating earnings of $1.4 million and $4.8 million respectively for the three and nine months ended September 30, 2007, as compared to operating earnings of $4.5 million and $11.0 million respectively for the comparable periods in 2006. The operating earnings margins in this division were 22% for the three and nine months ended September 30, 2007 as compared to 38% and 33% for the same periods in 2006. The operating earnings margin decreases are primarily due to lower utilization rates and decreased pricing in the first nine months of 2007 as compared to the same periods in 2006.

The Drilling and Production Rentals division had operating earnings of $3.5 million and $12.9 million for the three and nine months ended September 30, 2007, as compared to $8.0 million and $28.2 million for the comparable periods in 2006. The operating earnings margins were 30% and 32% for the three and nine months ended September 30, 2007, as compared to 45% and 49% during the same periods in 2006. The decreases in operating earnings margin resulted primarily from lower equipment utilization and decreased pricing. Expenses in this division did not decrease in proportion to revenues due to the relatively high fixed cost structure of this business, including the fact that depreciation in this division is calculated on a straight line basis and does not fluctuate with activity levels.

The Gas Compression Services division contributed operating earnings of $0.3 million and $3.9 million for the three and nine months ended September 30, 2007 as compared to $4.1 million and $11.3 million for the comparable periods in 2006. The operating earnings margin in this division was 4% and 12% for the three and nine months ended September 30, 2007 as compared to 20% and 18% for the same periods in 2006. The decreases in operating earnings margins are primarily due to lower revenues, which were partially offset by lower operating costs.

The Other division had operating losses of $1.0 million and $3.2 million for the three and nine months ended September 30, 2007 as compared to operating losses of $1.2 million and $3.6 million for the same periods in 2006. The Other division does not include any operational activities relating to Total Energy's business and therefore does not generate any revenue.

Gain on Disposal of Equipment

The gain on disposal of equipment was $256,000 and $580,000 for the three and nine months ended September 30, 2007 as compared to $422,000 and $695,000 during the comparable periods in 2006. The gain on disposal of equipment resulted from the continual replacing and upgrading of older equipment in the Trust's fleet, as well as the exercise of purchase options on compression equipment previously on lease to third parties in the Gas Compression Services division.

Income Taxes and Net Earnings

The Trust recorded net earnings of $5.2 million ($0.18 per unit on a diluted basis) and $20.4 million ($0.69 per unit on a diluted basis) for the three and nine months ended September 30, 2007 as compared to $13.8 million ($0.46 per unit on a diluted basis) and $43.2 million ($1.45 per unit on a diluted basis) for the comparable periods in 2006. Income tax recovery was $0.7 million and $1.5 million for the three and nine months ended September 30, 2007 as compared to income tax expense of $2.1 million and $4.4 million for the same periods in 2006. This resulted in a negative effective tax rate for the three and nine months ended September 30, 2007, as compared to a positive effective tax rate of 13% and 9% for the three and nine month periods ending September 30, 2006. The decrease in the effective income tax rate for the nine months ended September 30, 2007 as compared to the same period in 2006 is due primarily to a decrease in net income before taxes.

Bill C-52 Budget Implementation Act, 2007 ("Bill C-52") was substantively enacted by the Canadian government in June of 2007. Bill C-52 imposes a tax on certain distributions from publicly traded specified income flow-through trusts ("SIFT") and will apply to the distributions made by Total Energy Services Trust to its unitholders. Bill C-52 results in a tax structure for trusts similar to that of corporations, whereby distributions are subject to income tax at both the Trust level and the personal income tax level. The SIFT tax measures, which were originally announced on October 31, 2006 by the Canadian Department of Finance ("CDF") will take effect on January 1, 2011, or earlier if the Trust exceeds certain permitted guidelines established by the CDF. The Trust is currently assessing Bill C-52 and its potential implications to the Trust and its Unitholders.

As a result of Bill C-52, the Trust must now recognize (on a prospective basis) future income tax assets or liabilities on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities) in the Trust, unless those temporary differences are expected to reverse before the SIFT tax comes into effect. Due to the Trust's legal entity structure, the enacted Bill C-52 had only a nominal impact on the Trust's future income tax liability.

One of the Trust's non-operating subsidiaries has recently been re-assessed by the Ontario Ministry of Finance on account of a corporate re-organization undertaken by Total Energy Services Ltd. prior to its trust conversion. The Trust has received both legal and tax advice indicating that the technical merits of its subsidiary's filing position is strong and, as such, no provision has been taken at this time. The Trust intends to vigorously defend such filing position. The total amount of the reassessment is approximately $5 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash Provided by Operations

Cash provided by operations, before changes in non-cash working capital items, decreased by 50% for the three months ended September 30, 2007 to $8.6 million as compared to $17.3 million for the same period in 2006 and decreased by 41% for the nine months ended September 30, 2007 to $30.3 million as compared to $51.3 million for the same period in 2006. These decreases are primarily due to decreased operating earnings in all divisions in the first nine months of 2007 as compared to the same periods in 2006. The Trust reinvests the remaining cash provided by operations after distribution payments to unitholders into the internal growth of existing businesses, acquisitions, the repayment of long-term debt and obligations under capital leases, or the repurchase of trust units pursuant to the Trust's normal course issuer bid.

Investments

Net cash used in investment activities for the three and nine months ended September 30, 2007 was $0.2 million and $5.5 million, as compared to $7.1 million and $19.5 million for the same periods in 2006. The cash used for investment activities in the first nine months of 2007 related to the purchase of property, plant and equipment. The Trust purchased $8.9 million of property, plant and equipment in the first nine months of 2007 as compared to $23.3 million during the same period in 2006. Purchases of property, plant and equipment during the first nine months of 2007 were allocated as follows: $1.7 million in the Contract Drilling Services division, $3.8 million in the Drilling and Production Rentals division, $3.3 million in the Gas Compression Services division and $0.1 million in the Other division. The majority of the property, plant and equipment additions for the Contract Drilling Services division relate to the conversion of the Pragma 7000 single rig into a Rigmaster P-500 telescopic double and the recertification of one rig, with the remainder relating to the addition of spare equipment, as well as selective refurbishment of the existing fleet. The property, plant and equipment additions in the Drilling and Production Rentals division primarily relate to the construction of new rental equipment and the purchase of new heavy trucks. The majority of the property, plant and equipment additions in the Gas Compression Services division relate to additions to the compression rental fleet. During the first nine months of 2006, the property, plant and equipment additions were as follows: $9.5 million in the Contract Drilling Services division, $12.9 million in the Drilling and Production Rentals division and $0.8 million in the Gas Compression Services division. The purchase of property, plant and equipment in the first nine months of 2007 was offset by proceeds on disposal of property, plant and equipment of $3.4 million, as compared to $3.8 million for the same period in 2006.

Financing

Net cash generated in financing activities was $8.9 million for the three months ended September 30, 2007, as compared to net cash used in financing activities of $10.7 million for the nine months ended September 30, 2007. For the comparable periods in 2006, net cash used in financing activities was $4.7 million and $34.1 million respectively. During the three and nine months ended September 30, 2007 the Trust had net advances under long-term debt of $12.8 million and $10.5 million respectively. These advances were made to finance capital expenditures and trust unit repurchases previously financed through working capital. For the comparable periods in 2006, the Trust had repayments of long-term debt of $3.2 million and $5.8 million respectively. During the three and nine months ended September 30, 2007 the Trust repurchased 78,002 and 164,602 of its issued and outstanding trust units at a total cost including commissions of $0.7 million and $1.7 million respectively or $8.54 and $10.16 per unit, under its normal course issuer bid.

Liquidity

The Trust had a working capital surplus of $21.2 million as at September 30, 2007 as compared to a working capital surplus of $15.9 million at the end of 2006. This increase in the Trust's working capital position is due primarily to increased inventory. While the fabrication backlog within the Gas Compression Services division was $9.6 million at June 30, 2007, a significant portion of such backlog represented international orders to be delivered in the fourth quarter of 2007. The timing of such deliveries increased inventory levels as at September 30, 2007. As at the date of this MD&A the Trust is in material compliance with all debt covenants and is able to fully utilize all existing credit facilities. Subsequent to September 30, 2007, the Trust negotiated a $10 million increase to its operating line of credit, which is now available to a maximum of $30 million. The Trust believes that it has sufficient liquidity to operate its business and execute its strategic plan for the forseeable future.

Distributions

The Trust declared distributions to Unitholders of $8.5 million and $25.2 million during the three and nine months ended September 30, 2007, as compared to $8.3 million and $23.6 million during the same periods in 2006. For the three and nine month periods ending September 30, 2007, cash provided by operations, before changes in non-cash working capital items, exceeded distributions by $0.1 million and $5.1 million respectively, as compared to $9.0 million and $27.7 million for the comparable periods in 2006. For the three and nine month periods ending September 30, 2007, cash provided by operations, after changes in non-cash working capital items, was less than distributions by $17.2 million and $9.1 million respectively, as compared to a deficiency of $0.4 million and a surplus of $30 million for the comparable periods in 2006. For the three and nine months ended September 30, 2007, net earnings were less than distributions by $3.3 million and $4.8 million respectively, as compared to net earnings exceeding distributions by $5.5 million and $19.6 million for the comparable periods in 2006.

Management monitors the Trust's distributions with respect to forecasted cash provided by operations, income taxes, debt levels and capital expenditures. The Trust aims to finance its distributions through cash provided by operations. Where cash provided by operations is insufficient to finance distributions, cash on hand or the Trust's operating line of credit are utilized.

While cash flow from operations, after changes in non-cash working capital items, has been insufficient to finance year to date distributions in 2007, maintenance of the Trust's distribution level to date has resulted in the elimination of current income taxes and the recovery of substantially all prior period income taxes paid subsequent to Total Energy's trust conversion in April 2005. Such income tax recovery is expected to total between $5.0 and $5.8 million and be realized in the second quarter of 2008.

Continued weakness in natural gas prices combined with uncertainty surrounding the impact of recently announced changes to the royalty regime in Alberta have resulted in continued challenging industry conditions in Western Canada. In light of such environment, the fact that no additional material cash taxes paid previously are recoverable and increased opportunities to reinvest cash flow into accretive acquisitions (including the repurchase of trust units under the Trust's existing normal course issuer bid and the recently announced $9.4 million acquisition of the operating assets of Oilpatch Rentals Ltd.), the Trust has determined to reduce its monthly distribution to $0.03/unit ($0.36/unit per annum) beginning for the month of November 2007. The reduced monthly distribution has been determined with the primary objective of retaining cash provided by operations to reinvest in future growth opportunities.

SUMMARY OF QUARTERLY RESULTS

(in thousands of dollars except per unit amounts)

	Financial Quarter Ended (Unaudited)			
	Sept 30, 2007	Jun 30, 2007	Mar 31, 2007	Dec 31, 2006
Revenue	$ 24,395	$ 16,175	$ 53,486	$ 48,219
Cash provided by operations, before changes in non-cash working capital items	8,629	4,032	17,677	15,203
Net earnings	5,190	1,321	13,932	11,335
Per unit (basic)	0.18	0.04	0.47	0.38
Per unit (diluted)	0.18	0.04	0.47	0.37

	Financial Quarter Ended (Unaudited)			
	Sept 30, 2006	Jun 30, 2006	Mar 31, 2006	Dec 31, 2005
Revenue	$ 49,937	$ 38,426	$ 66,084	$ 50,857
Cash provided by operations, before changes in non-cash working capital items	17,337	11,474	22,530	16,534
Net earnings	13,778	10,571	18,893	13,091
Per unit (basic and diluted)	0.46	0.36	0.63	0.45

As discussed in 'Seasonality and Cyclicality' above, variations over the quarters are due in part to the cyclical nature of the energy service industry in the WCSB due to the occurrence of "breakup". The first quarter has generally been the strongest quarter for the Trust. This is due to the northern exposure that the Trust has in its Drilling Services operations. The northern areas are busiest in the winter as these areas are frozen and allow better access to operations locations. The second quarter has generally been the slowest quarter due to "breakup" as described above. Many of the areas that the Trust operates in are not assessable during this period when ground conditions do not permit the movement of heavy equipment. The third quarter has generally been the third busiest quarter, as some of the issues associated with "breakup" are no longer affecting access to areas of operations. The fourth quarter has usually been the second busiest quarter of the year as customers are generally able to start accessing northern areas with the onset of winter and the ground freezing.

CONTRACTUAL OBLIGATIONS

At September 30, 2007, the Trust had the following contractual obligations:

		Payments due by year				
(in thousands of dollars)	Total	2007	2008	2009	2010	thereafter
Long-term debt	$ 28,729	$1,884	$7,500	$7,500	$6,945	$4,900
Obligations under capital leases	$522	$114	$408	–	–	–
Commitments	$6,048	$587	$2,018	$1,561	$816	$1,066
Purchase obligations	$1,399	$1,399	–	–	–	–
Total contractual obligations	$36,698	$3,984	$9,926	$9,061	$7,761	$5,966

(1) Long-term debt obligations are described in Note 5 to the 2006 Audited Consolidated Financial Statements.
(2) Obligations under capital leases are described in Note 6 to the 2006 Audited Consolidated Financial Statements.
(3) Commitments are described in Note 9 to the 2006 Audited Consolidated Financial Statements.
(4) Purchase obligations of approximately $1.2 million are outstanding for inventory for the Gas Compression Services division.

OFF-BALANCE SHEET ARRANGEMENTS

At September 30, 2007 and December 31, 2006, the Trust had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the first nine months of 2007 and 2006 the Trust had no material transactions with related parties.

PROPOSED TRANSACTIONS

The Trust currently has no material proposed asset or business acquisition or disposition transactions other than the purchase obligations disclosed under the above section Contractual Obligations, a remaining $2.0 million budgeted for expansion of the Gas Compression Services division's compression rental fleet during the balance of 2007 pursuant to the Trust's preliminary 2007 capital expenditure budget, and the proposed $9.4 million acquisition of the operating assets of Oilpatch Rentals Ltd. which is scheduled to close effective December 1, 2007 but is subject to several conditions in favour of the Trust, including satisfactory due diligence and Board of Director approval. The Trust is currently evaluating additional acquisition opportunities but as at the date hereof no other binding agreements have been entered into and there can be no assurance that any particular transactions can or will be completed.

CRITICAL ACCOUNTING ESTIMATES

Management is responsible for applying judgment in preparing accounting estimates. Certain estimates and related disclosures included within the financial statements are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from management's current judgments. An accounting estimate is considered critical only if it requires the Trust to make assumptions about matters that are highly uncertain at the time the accounting estimate is made, and different estimates the Trust could have used would have a material impact on Total Energy's financial condition, changes in financial condition or results of operations.

While there are several estimates and assumptions made by management in the preparation of financial statements in accordance with GAAP, the following critical accounting estimates have been identified by management:

Revenue Recognition

The Trust recognizes revenue in its divisions as follows; Contract Drilling Services revenue is recognized when services are provided; Drilling and Production Rentals revenue is recognized when services are provided; and Gas Compression Services revenue is recognized as services are provided or products are sold. The Trust's services and products are sold based upon orders or contracts with customers that include fixed or determinable prices based upon daily, hourly, or job rates. Revenue is recognized when services and equipment rentals are provided and when collectibility is assured.

Estimates of Collectibility of Accounts Receivable

The Trust has to make an estimate for the collectibility of its accounts receivable. The Trust continually reviews its accounts receivable balances and makes an allowance once it considers an accounts receivable balance uncollectible. The actual collectibility of accounts receivable could differ materially from the estimate although management does not consider the risk of a significant loss to be material at this time.

Estimates of Depreciation

Total Energy has significant estimates relating to the depreciation policies for property, plant and equipment. Factors that are included in the estimation include but are not limited to the economic life of the asset and the salvage value of the asset at the end of its economic life. The Trust makes an estimate based on the best information on these factors that it has at that the time these estimates are performed. Actual results could differ materially if any of these factors are different in the future than the current estimates. See Note 1(b) in the notes to the 2006 Audited Consolidated Financial Statements of the Trust for Total Energy's depreciation policy.

Estimates of Tax Pools and Their Recoverability

Total Energy has estimated its tax pools for the income tax provision. The actual tax pools that the Trust may be able to use could be materially different in the future. See Note 7 in the notes to the 2006 Audited Consolidated Financial Statements of the Trust for further information.

ACCOUNTING DEVELOPMENTS

Changes in Accounting Policies

Effective January 1, 2007, the Trust prospectively adopted new accounting recommendations from the Canadian Institute of Chartered Accountants ("CICA"), Handbook Section 1530, Comprehensive Income, Section 3855, Financial Instruments – Recognition and Measurement and Section 3865 – Hedges.

Section 1530 established standards for reporting and presenting a comprehensive income statement.

Section 3855 requires all financial assets and liabilities to be classified as one of four categories. Financial assets are to be classified as either held for trading, available for sale, held to maturity or loans and receivables. Financial liabilities are to be classified as either held for trading or other financial liabilities. All financial assets and financial liabilities are to be carried at fair value in the consolidated balance sheet, except held to maturity, loans and receivables and other financial liabilities which are carried at amortized cost.

Subsequent accounting for changes in fair value will depend on initial classification. Realized and unrealized gains and losses on financial assets and liabilities that are held for trading will continue to be recorded in the consolidated statement of earnings. Unrealized gains and losses on financial assets that are held as available for sale are to be recorded in other comprehensive income until realized, at which time they will be recorded in the consolidated statement of earnings. During the quarter, the Trust did not have any financial assets or liabilities other than cash which would be designated as either held for trading or available for sale.

Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges of foreign currency exposures of net investments in self sustaining foreign operations.

There was no impact to opening retained earnings on adoption of these new accounting recommendations.

Recent Canadian Accounting Pronouncements Not Yet Adopted

(a) Capital Disclosures

In December 2006, the CICA issued Handbook Section 1535, "Capital Disclosures". This standard requires that an entity disclose information that enables users of its financial statement to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008 for the Trust. The Trust is currently evaluating the impact of this standard.

(b) Financial Instruments – Presentation and Disclosure

In October 2006, the CICA issued Handbook Sections 3862 and 3863 to replace Section 3861, "Financial Instruments – Disclosure and Presentation". This standard requires an increased emphasis on disclosures about the nature and extent of risk arising from financial instruments and how an entity manages those risks. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008 for the Trust. The Trust is currently evaluating the impact of this standard.

(c) Inventories

In June 2007, the CICA issued Handbook Section 3031, "Inventories" to harmonize accounting standards for inventories under Canadian GAAP with International Financial Reporting Standards. This standard requires the measurement of inventories at the lower of cost and net realizable value and includes guidance on the determination of cost, including allocation of overheads and other costs to inventory. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, specifically January 1, 2008 for the Trust. The Trust is currently evaluating the impact of this standard.

FINANCIAL INSTRUMENTS

Risk Management Activities

The Trust does not have significant exposure to any individual customer or counter party, as no customer accounted for more than 10% of revenue during the first nine months of 2007. Concentration of credit risk on the Trust's trade accounts receivable exists in the oil and gas industry.

Fair Values

The carrying values of bank indebtedness, accounts receivable, inventory, accounts payable and accrued liabilities, distributions payable and income taxes payable approximate their fair value due to the relatively short periods to maturity of the instruments. The fair value of long-term debt is determined at the present value of contractual future payments of principal, discounted at the current market rates for interest available to the Trust for the same or similar debt instruments with fixed interest rates. All long-term debt with variable interest rates is assumed to already be at fair value and therefore is not revalued.

Interest Rate Risk

The Trust manages its interest rate risk on borrowings by utilizing a combination of short-term fixed rates through the use of 30 to 90 day Banker's Acceptance rates and floating rates on debt. At September 30, 2007 virtually all debt was at a short-term fixed Banker's Acceptance rate maturing on October 1, 2007.

OUTSTANDING TRUST UNIT DATA

	As at September 30, 2007 (in thousands of units) (unaudited)
Trust Units	29,731
Exchangeable Shares	—
Additional Trust Units to be issued	—
Fully diluted Trust Units	29,731

There has been no material change in the trust unit data from September 30, 2007 to the date of this report. On June 6, 2007 all outstanding Exchangeable Shares were redeemed.

RISK FACTORS

The following is a summary of certain risk factors relating to the activities of the Trust and its subsidiaries and the ownership of Trust Units and Exchangeable Shares.

Risks Relating to the Energy Services Business

General

Certain activities of the Trust are affected by factors that are beyond its control or influence. The business and activities of the Trust are directly affected by fluctuations in the levels of oil and natural gas exploration, development and production activity carried on by its customers, which, in turn, is dictated by numerous factors, including world energy prices and government policies.

Industry Conditions

The oil and gas service industry is highly reliant on the levels of capital expenditures made by oil and gas producers and explorers. Exploration and production companies generally base their capital expenditures on several factors, including but not limited to hydrocarbon prices, production levels of their reserves, exploration and development prospects in various jurisdictions and access to capital. Oil and gas producers and explorers tend to examine long-term fundamentals affecting the foregoing factors before they adjust their capital expenditure plans. Risk factors associated with the Trust's operations include business factors and changes in government regulation. Should one or more of these risks materialize, actual results may vary materially from those currently anticipated. In recent years, commodity prices, and therefore, the level of drilling, production and exploration activity have been volatile. Any prolonged, substantial reduction in commodity prices will likely affect the activity levels of the exploration and production companies and the demand for the Trust's products or services. A significant prolonged decline in commodity prices would have a material adverse effect on the Trust's business, results of operations and financial condition, including the Trust's ability to maintain its current level of distributions to Unitholders.

Government Regulation

The energy industry in Canada is subject to significant government regulation. Any addition to or elimination or curtailment of government incentives or other material changes to government regulation of the energy industry in Canada could have a significant impact on the oilfield service industry in Canada. The impact of recent federal government announcements relating to the proposed regulation of greenhouse gas emissions is not known at this time. However, increased environmental regulations may have a material adverse impact on the Canadian energy industry generally and in particular the financial performance of the Trust and its customers. The precise impact of recently announced changes to royalty rates in Alberta is not known at this time but such changes may have a material adverse impact on drilling activity levels in Alberta and, consequently, on the financial performance of the Trust.

Credit Risk

A substantial portion of the Trust's accounts receivable are with customers involved in the oil and gas industry, whose revenues may be impacted by fluctuations in commodity prices. The Trust does not have a significant exposure to any individual customer or counter party other than as disclosed above under "Risk Management Activities". Although collection of these receivables could be influenced by economic factors affecting this industry, at this time management does not consider the risk of a significant loss to be material.

Currency Fluctuations

The Trust's Gas Compression Services division, Bidell, obtains critical components and parts from U.S. suppliers and is therefore subject to foreign exchange rate fluctuations in the procurement of those materials. Where Bidell is contracted to undertake custom work, an exchange rate fluctuation provision is included in the relevant purchase order to reduce Bidell's exposure to such fluctuations. The Trust's Contract Drilling Services division and the Drilling and Production Rentals division purchase certain capital equipment from suppliers located in the United States of America and are also subject to foreign exchange rate fluctuations in the procurement of those items. Total Energy has taken measures that it considers reasonable to mitigate its exposure to exchange rate fluctuations, including the purchase of foreign currencies in an amount approximately equal to such foreign currency obligations at any given time. However, there can be no assurance that such measures will reduce Total Energy's exposure to currency fluctuations to a level that is not material.

Competition

The various business segments in which the Trust participates are highly competitive. The Trust competes with several large national and multinational companies in the contract drilling services, drilling and production equipment rentals and gas compression services businesses. Many of those national and multinational companies have greater financial and other resources than the Trust. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of products and services that compete with those of the Trust or that new competitors will not enter the various markets in which the Trust is active. In certain aspects of its business, the Trust also competes with a number of small and medium-sized companies, which, like the Trust, have certain competitive advantages such as low overhead costs and specialized regional strengths.

Access to Parts, Development of New Technology and Relationships with Key Suppliers

The ability of Bidell to compete and expand is dependent on Bidell having access, at a reasonable cost, to equipment, parts and components, which are at least technologically equivalent to those utilized by competitors and to the development and acquisition of new and competitive technologies. Although Bidell has secured individual distribution agreements with various key suppliers, there can be no assurance that those sources of equipment, parts, components or relationships with key suppliers will be maintained. If these sources and relationships are not maintained, Bidell's ability to compete may be impaired. Bidell is able to access certain distributors and secure discounts on parts and components that would not be available if it were not for its relationship with certain key suppliers. Should the relationships with key suppliers come to an end, the availability and cost of securing certain equipment and parts may be adversely affected. The ability of Chinook to compete and expand is dependent upon Chinook having access, at a reasonable cost, to drilling equipment and supplies that are at least technologically equivalent to those utilized by competitors and to the development and acquisition of new and competitive technologies as industry conditions require. There can be no assurance that existing sources for equipment will be maintained or that new technologically advanced equipment will be acquired. If such equipment is not available, Chinook's ability to compete may be impaired.

Employees

The success of the Trust is dependent upon its key personnel. Any loss of the services of such persons could have a material adverse effect on the business and operations of the Trust. The ability of the Trust to expand its services is dependent upon its ability to attract additional qualified employees. The ability to secure the services of additional personnel is constrained in times of strong industry activity.

Environmental Liability Risks

Total Energy routinely deals with natural gas, oil and other petroleum products. The Company has established programs to address compliance with current environmental standards and monitors its practices concerning the handling of environmentally hazardous materials. The Company also generally performs "phase 1" environmental studies on all of its properties prior to acquisition to minimize the risk of acquisition of a contaminated property. However, there can be no assurance that the Company's procedures will prevent environmental damage occurring from spills of materials handled by the Trust or that such damage has not already occurred. As a result of its fabrication and refurbishing operations, Bidell also generates or manages hazardous wastes, such as solvents, thinners, waste paint, waste oil, washdown wastes and sandblast material.

Although the Trust attempts to identify and address contamination issues before acquiring properties, and attempts to utilize generally accepted operating and disposal practices, hydrocarbons or other wastes may have been disposed of or released on or under properties owned, leased, operated or worked on by the Trust or on or under other locations where such wastes have been taken for disposal. These properties and the wastes disposed thereon may be subject to environmental laws that could require the Trust to remove the wastes or remediate sites where they have been released.

Potential Operating Risks and Insurance

Total Energy has an insurance and risk management program in place which has been implemented in an effort to protect its assets, operations and employees. Total Energy also has programs in place to address compliance with current safety and regulatory standards. Total Energy has a health and safety coordinator in each division who is responsible for maintaining and developing policies and monitoring operations vis-à-vis those policies. Third party consultants are also retained as required to assist the divisional health and safety coordinators. Each health and safety coordinator is required to report incidents directly to the Vice President of Operations of Total Energy. However, the Trust's operations are subject to risks inherent in the oil and gas drilling and production services industry, such as equipment defects, malfunction and failures and natural disasters with resultant uncontrollable flows of oil, gas or well fluids, fires, spills and explosions.

These risks could expose the Trust to substantial liability for personal injury, loss of life, business interruption, property damage or destruction, pollution and other environmental damages. Although the Trust has obtained insurance against certain of the risks to which it is exposed, such insurance is subject to coverage limits and no assurance can be given that such insurance will be adequate to cover the Trust's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Trust were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Trust 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.

Access to Additional Financing

Total Energy may find it necessary in the future to obtain additional debt or equity to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to Total Energy when needed or on terms acceptable to Total Energy. Total Energy's inability to raise financing to support ongoing operations or to fund capital expenditures or acquisitions could limit the Trust's growth and may have a material adverse effect upon the Trust.

Seasonality

In general, the level of activity in the Canadian oilfield service industry is influenced by seasonal weather patterns. Wet weather and the spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Additionally, certain oil and gas producing areas are located in areas that are inaccessible other than during the winter months, because the ground surrounding the drilling sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in the activity levels of exploration and production companies and corresponding declines in the demand for the goods and services of the Trust.

RISKS RELATED TO AN INVESTMENT IN THE TRUST

Nature of Trust Units

The Trust Units do not represent a traditional investment in the energy services sector and should not be viewed by investors as shares in the Company. The Trust Units represent a fractional interest in the Trust. As holders of Trust Units, Unitholders have substantially all of the same protections, rights and remedies as a shareholder would have under the Canada Business Corporations Act except that a Unitholder will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. A Unitholder is also not entitled to "dissent rights".

The Trust's sole assets are its holding of common shares in Total Energy, the unsecured subordinated notes issued by the Company to the Trust ("Notes") and other investments in securities of its subsidiaries.

The Trust Units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, the Trust is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Debt Service

Total Energy may finance a significant portion of its operations through debt. Amounts paid in respect of interest and principal on debt incurred may impair Total Energy's ability to satisfy its obligations under the Notes. Variations in interest rates and scheduled principal repayments could result in significant changes in the amount required to be applied to debt service before payment by Total Energy of its obligations under the Notes. Ultimately, this may result in lower distributions from the Trust.

Lenders will be provided with security over all of the assets of Total Energy. If Total Energy becomes unable to pay its debt service charges or otherwise commits an event of default such as bankruptcy, a lender may foreclose on or sell the assets of Total Energy.

Redemption Right

Unitholders have a limited right to require the Trust to repurchase their Trust Units which is referred to as a redemption right. It is anticipated that the redemption right will not be the primary mechanism for Unitholders to liquidate their investments. Cash redemptions are subject to limitations.

Distributions

Distribution payments of the Trust are subject to review by the Board of Directors taking into account the prevailing financial circumstances of Total Energy at the relevant time. The actual amount distributed, if any, is at the discretion of the Board of Directors. Distributions by the Trust to Unitholders are not guaranteed.

Investment Eligibility and Mutual Fund Trust Status

It is intended that the Trust qualify at all times as a mutual fund trust for the purposes of the Tax Act. The Trust may not, however, always be able to satisfy current or future requirements of the maintenance of mutual fund trust status. Should the status of the Trust as a mutual fund trust be lost or successfully challenged by a relevant tax authority, certain adverse consequences may arise for the Trust and Unitholders. For a detailed discussion of such consequences refer to the Trust's AIF.

Non-Resident Ownership of Trust Units

Currently, in order for the Trust to maintain its status as a mutual fund trust under the Tax Act, the Trust must not, subject to some exceptions, be established or maintained primarily for the benefit of Non-Residents. The Deed of Trust provides that if at any time the Trustee or Total Energy becomes aware that the beneficial owners of 49% or more of the Trust Units then outstanding are or may be Non-Residents or that such a situation is imminent, the Trustee, by or through Total Energy on the Trustee's behalf, shall take such action as may be necessary to carry out the foregoing intention.

These measures could be adverse to certain Unitholders and may not be effective to avoid the Trust losing its status as a mutual fund trust for the purposes of the Tax Act.

Changes in Legislation and Administrative Practices

There can be no assurances that income tax laws and government incentive programs relating to mutual fund trusts and to the oil and gas industry will not be changed in a manner which materially adversely affects the Trust and the Unitholders. There can be no assurance that the Canada Revenue Agency ("CRA") will agree with how the Trust calculates its income for tax purposes or that the CRA will not change its administrative practices to the detriment of the Trust or the Unitholders.

TOTAL ENERGY SERVICES TRUST

Consolidated Balance Sheets

(in thousands of Canadian dollars)

	September 30, 2007 (unaudited)	December 31, 2006
ASSETS		
Current assets:		
Accounts receivable	$ 21,660	$ 34,257
Inventory	37,851	25,924
Income taxes receivable	4,210	—
Prepaid expenses and deposits	2,970	1,033
	66,691	61,214
Property, plant and equipment	146,180	148,381
Goodwill	4,053	4,053
	$ $216,924	$ 213,648
LIABILITIES & UNITHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness	$ 16,003	$ 6,244
Accounts payable and accrued liabilities	18,703	24,836
Distributions payable (note 4)	2,824	6,264
Income taxes payable	—	2,579
Current portion of long-term debt	7,509	4,703
Current portion of obligations under capital leases	460	681
	45,499	45,307
Long-term debt	21,220	13,545
Obligations under capital leases	62	402
Future income taxes (note 5)	19,928	17,708
Unitholders' equity:		
Trust Unit capital (note 6)	61,484	60,984
Exchangeable Share capital (note 6)	—	855
Retained earnings	68,731	74,847
	130,215	136,686
Subsequent events & contingency (notes 9 & 10)		
	$ 216,924	$ 213,648
Supplemental Information:		
Number of units and exchangeable shares outstanding (000's) - Basic and diluted	29,731	29,879

See accompanying notes to the consolidated financial statements.

Approved by the Board:

Director, Andrew Wiswell

Director, Bruce L. Pachkowski

TOTAL ENERGY SERVICES TRUST

Consolidated Statements of Earnings and Retained Earnings

(in thousands of Canadian dollars except per unit amounts)

	Three months ended September 30		Nine months ended September 30	
	2007 (unaudited)	2006 (unaudited)	2007 (unaudited)	2006 (unaudited)
REVENUE	$ 24,395	$ 49,937	$ 94,056	$ 154,447
Expenses:				
Operating	13,355	26,849	54,886	84,510
Selling, general and administration	3,499	4,399	11,172	13,528
Depreciation	2,821	2,904	8,255	8,169
Other interest	244	66	585	245
Interest on long-term debt	285	313	803	1,006
	20,204	34,531	75,701	107,458
Operating earnings	4,191	15,406	18,355	46,989
Gain on disposal of equipment	256	422	580	695
Earnings before income taxes	4,447	15,828	18,935	47,684
Income tax expense (recovery)	(1,617)	973	(3,728)	3,817
Current (note 5)	874	1,077	2,220	625
Future (note 5)	(743)	2,050	(1,508)	4,442
Net earnings	5,190	13,778	20,443	43,242
Retained earnings, beginning of period	72,526	70,183	74,847	56,130
Trust distributions (note 4)	(8,487)	(8,309)	(25,243)	(23,594)
Repurchase and cancellation of trust units in excess of stated trust unit capital (note 6)	(498)	(124)	(1,316)	(250)
Retained earnings, end of period	$ 68,731	$ 75,528	$ 68,731	$ 75,528
Earnings per unit:				
Basic and diluted (note 7)	$ 0.18	$ 0.46	$ 0.69	$ 1.45

See accompanying notes to the consolidated financial statements.

TOTAL ENERGY SERVICES TRUST

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

	Three months ended September 30 2007 (unaudited)	Three months ended September 30 2006 (unaudited)	Nine months ended September 30 2007 (unaudited)	Nine months ended September 30 2006 (unaudited)
CASH PROVIDED BY (USED IN):				
Operations:				
Net earnings	$ 5,190	$ 13,778	$ 20,443	$ 43,242
Add (deduct) items not effecting cash:				
Depreciation	2,821	2,904	8,255	8,169
Gain on disposal of equipment	(256)	(422)	(580)	(695)
Future income taxes (note 5)	874	1,077	2,220	625
	8,629	17,337	30,338	51,341
Changes in non-cash working capital items:				
Accounts receivable	(9,556)	(5,341)	12,597	3,481
Inventory	(6,928)	(3,136)	(11,927)	(3,044)
Prepaid expenses and deposits	(889)	(621)	(1,937)	(300)
Accounts payable and accrued liabilities	1,806	(1,409)	(6,133)	1,354
Income taxes payable	(1,739)	1,070	(6,789)	702
	(8,677)	7,900	16,149	53,534
Investments:				
Purchase of property, plant and equipment	(1,771)	(9,762)	(8,907)	(23,263)
Proceeds on disposal of property, plant and equipment	1,560	2,673	3,433	3,781
	(211)	(7,089)	(5,474)	(19,482)
Financing:				
Advances (repayment) of long-term debt	12,830	(3,166)	10,481	(5,797)
Repayment of obligations under capital leases	(169)	(199)	(561)	(594)
Repurchase of trust units (note 6)	(666)	(145)	(1,671)	(293)
Distributions to Unitholders (note 4)	(8,487)	(8,309)	(25,243)	(23,594)
Distributions payable (note 4)	(8)	—	(3,440)	453
Increase (decrease) in bank indebtedness	5,388	7,128	9,759	(4,227)
	8,888	(4,691)	(10,675)	(34,052)
Change in cash	—	(3,880)	—	—
Cash, beginning of period	—	3,880	—	—
Cash, end of period	$ —	$ —	$ —	$ —
Supplemental information:				
Interest paid	$ 534	$ 576	$ 1,394	$ 1,346
Income taxes paid (received)	$ 122	$ (98)	$ 3,060	$ 3,115

See accompanying notes to the consolidated financial statements.

1. Basis of Presentation

The interim consolidated financial statements of the Trust have been prepared by management in accordance with Canadian generally accepted accounting principles. The interim consolidated financial statements should be read in conjunction with the Trust's audited consolidated financial statements and the notes thereto contained in the Trust's Annual Report for the year ended December 31, 2006.

2. Change in Accounting Policies

Effective January 1, 2007, the Trust prospectively adopted new accounting recommendations from the Canadian Institute of Chartered Accountants ("CICA"), Handbook Section 1530, Comprehensive Income, Section 3855, Financial Instruments – Recognition and Measurement and Section 3865 – Hedges.

Section 1530 established standards for reporting and presenting a comprehensive income statement.

Section 3855 requires all financial assets and liabilities to be classified as one of four categories. Financial assets are to be classified as either held for trading, available for sale, held to maturity or loans and receivables. Financial liabilities are to be classified as either held for trading or other financial liabilities. All financial assets and financial liabilities are to be carried at fair value in the consolidated balance sheet, except held to maturity, loans and receivables and other financial liabilities which are carried at amortized cost.

Subsequent accounting for changes in fair value will depend on initial classification. Realized and unrealized gains and losses on financial assets and liabilities that are held for trading will continue to be recorded in the consolidated statement of earnings. Unrealized gains and losses on financial assets that are held as available for sale are to be recorded in other comprehensive income until realized, at which time they will be recorded in the consolidated statement of earnings. During the quarter, the Trust did not have any financial assets or liabilities other than cash which would be designated as either held for trading or available for sale.

Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges of foreign currency exposures of net investments in self sustaining foreign operations.

There was no impact to opening retained earnings on adoption of these new accounting recommendations.

3. Recent Canadian Accounting Pronouncements Not Yet Adopted

(a) Capital Disclosures

In December 2006, the CICA issued Handbook Section 1535, "Capital Disclosures". This standard requires that an entity disclose information that enables users of its financial statement to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008 for the Trust. The Trust is currently evaluating the impact of this standard.

(b) Financial Instruments – Presentation and Disclosure

In October 2006, the CICA issued Handbook Sections 3862 and 3863 to replace Section 3861, "Financial Instruments – Disclosure and Presentation". This standard requires an increased emphasis on disclosures about the nature and extent of risk arising from financial instruments and how an entity manages those risks. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008 for the Trust. The Trust is currently evaluating the impact of this standard.

Unaudited (tabular amounts in thousands of Canadian dollars)

(c) Inventories

In June 2007, the CICA issued Handbook Section 3031, "Inventories" to harmonize accounting standards for inventories under Canadian GAAP with International Financial Reporting Standards. This standard requires the measurement of inventories at the lower of cost and net realizable value and includes guidance on the determination of cost, including allocation of overheads and other costs to inventory. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, specifically January 1, 2008 for the Trust. The Trust is currently evaluating the impact of this standard.

4. Distributions Payable

The Trust declared distributions of $0.285 and $0.855 per unit for the three and nine months ended September 30, 2007 respectively. Total distributions were $8.5 million and $25.2 million for the three and nine months ended September 30, 2007 respectively, of which $2.8 million was paid on October 15, 2007 in respect of earnings for the month of September 2007.

5. Income Taxes

Bill C-52 Budget Implementation Act, 2007 ("Bill C-52") was substantively enacted by the Canadian government in June of 2007. Bill C-52 imposes a tax on certain distributions from publicly traded specified income flow-through trusts ("SIFT") and will apply to distributions made by Total Energy Services Trust to its unitholders. The SIFT tax measures, which were originally announced on October 31, 2006 by the Canadian Department of Finance ("CDF") will take effect on January 1, 2011, or earlier if the Trust exceeds certain permitted growth guidelines established by the CDF.

As a result of Bill C-52, the Trust must now recognize (on a prospective basis) future income tax assets or liabilities on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities) in the Trust, unless those temporary differences are expected to reverse before the SIFT tax comes into effect. Due to the Trust's legal entity structure, the enacted Bill C-52 had only a nominal impact on the Trust's future income tax liability provision.

The Company is subject to certain provincial capital taxes and corporate income taxes and follows the liability method of accounting for income taxes. Under the liability method, future income tax assets and liabilities are determined based on "temporary differences", and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. Income tax expense is the sum of the Trust's provision for current income taxes and the difference between opening and ending balances of the future income tax assets and liabilities.

Income tax expense for the nine months ended September 30 differs from the amount that would be computed by applying the Federal and Provincial statutory income tax rates. The reconciliation of the differences are as follows:

	2007	2006
Income tax rate	32.12%	32.49%
Expected tax expense	$ 6,081	$ 15,492
Decrease in taxes resulting from:		
Amounts included in Trust income	(7,089)	(8,466)
Future income tax rate adjustment	(677)	(2,520)
Other	177	(64)
Provision for income taxes	$ (1,508)	$ 4,442

The business and operations of the Trust are complex and the Trust has executed a number of significant financings, reorganizations, acquisitions and other material transactions over the course of its history. The computation of income taxes payable as a result of these transactions involves many complex factors as well as the Trust's interpretation of relevant tax legislation and regulations. The Trust's management believes that the provision for income tax is adequate and in accordance with generally accepted accounting principles and applicable legislation and regulations. However, tax filing positions are subject to review by taxation authorities who may successfully challenge the Trust's interpretation of the applicable tax legislation and regulations.

Unaudited (tabular amounts in thousands of Canadian dollars)

6. Unitholders' Capital and Exchangeable Shares

Trust Units	Number of Units	Amount
Balance, December 31, 2005	28,959	$ 60,802
Issued on conversion of Exchangeable Shares	217	269
Repurchased and cancelled	(40)	(87)
Balance, December 31, 2006	29,136	60,984
Issued on conversion of Exchangeable Shares	760	855
Repurchased and cancelled	(165)	(355)
Balance, September 30, 2007	29,731	$ 61,484

Under the provisions of the Trust's normal course issuer bid, during the first nine months of 2007 the Trust purchased 164,602 Units at an average price of $10.16 per unit, including commissions, and these Units were cancelled.

Exchangeable Shares	Number of Shares	Amount
Balance, December 31, 2005	860	$ 1,124
Exchanged for Trust Units	(205)	(269)
Balance, December 31, 2006	655	855
Exchanged for Trust Units	(655)	(855)
Balance, June 30, 2007	–	$ –

All outstanding Exchangeable Shares were redeemed on June 6, 2007.

7. Earnings Per Unit

Earnings per unit has been calculated on the basis of the weighted average number of trust units outstanding for the nine month period ending September 30, 2007 which amounted to 29,793,934 trust units (2006 – 29,822,369 trust units). Diluted earnings per unit has been calculated, assuming the issuance of trust units pursuant to the redemption of exchangeable shares outstanding, resulting in an average number of trust units of 29,793,934 (2006 – 29,886,216).

8. Seasonality of Operations

The Trust's operations are carried on in Canada. The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. The duration of this "spring breakup" has a direct impact on the Trust's activity levels. In addition, many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen hard enough to support equipment. The timing of freeze up and spring breakup affects the ability to move equipment in and out of these areas. As a result, late March through May is traditionally the Trust's slowest time.

Unaudited (tabular amounts in thousands of Canadian dollars)

9. Subsequent Events

Subsequent to September 30, 2007 the Trust entered into a letter of intent to aquire the operating assets of Oilpatch Rentals Ltd. for $9.4 million cash. The purchase is scheduled to close effective December 1, 2007 but is subject to several conditions in favour of the Trust, including satisfactory due diligence and Board of Director approval.

The Trust also negotiated a $10 million increase to its operating line of credit, which is now available to a maximum of $30 million. The operating line of credit is in addition to the Trust's revolving long-term evergreen facility which is available to a maxiumum of $35 million.

10. Contingency

One of the Trust's non-operating subsidiaries has recently been re-assessed by the Ontario Ministry of Finance for income taxes relating to a corporate re-organization undertaken by Total Energy Services Ltd. prior to its trust conversion. The Trust has received both legal and tax advice indicating that the technical merits of its subsidiary's filing position is strong. The Trust intends to vigorously defend such filing position. The total amount of the reassessment is approximately $5 million.

11. Segmented Information

The Trust operates in three main industry segments which are substantially in one geographic segment. These segments are Contract Drilling Services, which includes the contracting of drilling equipment and the provision of labour required to operate the equipment, Drilling and Production Rentals, which includes the rental and transportation of surface equipment used in drilling and production operations and Gas Compression Services, which includes the fabrication, sale, rental and servicing of natural gas compression equipment.

As at and for the three months ended September 30, 2007 (unaudited)	Contract Drilling Services	Drilling and Production Rentals	Gas Compression Services	Other (3)	Total
Revenue	$ 6,352	$ 11,690	$ 6,353	$ –	$ 24,395
Operating earnings (loss) (1)	1,374	3,504	276	(963)	4,191
Depreciation	701	1,852	259	9	2,821
Assets	67,205	91,390	52,758	5,571	216,924
Goodwill	–	2,514	1,539	–	4,053
Capital expenditures (2)	213	396	1,157	5	1,771

As at and for the three months ended September 30, 2006 (unaudited)	Contract Drilling Services	Drilling and Production Rentals	Gas Compression Services	Other (3)	Total
Revenue	$ 11,886	$ 17,567	$ 20,484	$ –	$ 49,937
Operating earnings (loss) (1)	4,503	7,984	4,126	(1,207)	15,406
Depreciation	970	1,684	247	3	2,904
Assets	70,986	94,821	50,736	1,001	217,544
Goodwill	–	2,514	1,539	–	4,053
Capital expenditures (2)	1,663	7,986	109	4	9,762

Unaudited (tabular amounts in thousands of Canadian dollars)

As at and for the nine months ended September 30, 2007 (unaudited)	Contract Drilling Services	Drilling and Production Rentals	Gas Compression Services	Other [3]	Total
Revenue	$ 21,210	$ 39,645	$ 33,201	$ –	$ 94,056
Operating earnings (loss) [1]	4,767	12,867	3,888	(3,167)	18,355
Depreciation	1,940	5,537	751	27	8,255
Assets	67,205	91,390	52,758	5,571	216,924
Goodwill	–	2,514	1,539	–	4,053
Capital expenditures [2]	1,715	3,749	3,337	106	8,907

As at and for the nine months ended September 30, 2006 (unaudited)	Contract Drilling Services	Drilling and Production Rentals	Gas Compression Services	Other [3]	Total
Revenue	$ 33,369	$ 57,286	$ 63,792	$ –	$ 154,447
Operating earnings (loss) [1]	11,023	28,187	11,333	(3,554)	46,989
Depreciation	2,581	4,831	742	15	8,169
Assets	70,986	94,821	50,736	1,001	217,544
Goodwill	–	2,514	1,539	–	4,053
Capital Expenditures [2]	9,541	12,860	847	15	23,263

(1) Operating earnings (loss) are earnings before gain (loss) on sale of equipment and income taxes.

(2) Excludes acquisitions.

(3) Other includes the Trust's corporate activities.

BOARD OF DIRECTORS

Bruce Pachkowski [1 2]
Chairman of the Board

Daniel Halyk [3]
President and Chief Executive Officer

Gregory Fletcher [1 3]

Randy Kwasnicia [1]

Thomas Stan [2 3]

Andrew Wiswell [2]

1 Member of the Compensation Committee
2 Member of the Audit Committee
3 Member of the Corporate Governance and Nominating Committee

MANAGEMENT TEAM

TOTAL ENERGY SERVICES LTD.

Daniel Halyk
President and Chief Executive Officer

Mark Kearl
Vice President Finance and Chief Financial Officer

Brad Macson
Vice President Operations

Erica Young
General Counsel and Corporate Secretary

CHINOOK DRILLING, a division of Total Energy Services Ltd.

Rod Rundell - General Manager

TOTAL OILFIELD RENTALS, a division of Total Energy Services Ltd.

Gerry Crawford - General Manager

BIDELL EQUIPMENT LIMITED PARTNERSHIP

Warren Craddock - General Manager

CORPORATE INFORMATION

HEAD OFFICE

Suite 2550, 300 - 5th Avenue S.W.
Calgary, Alberta
T2P 3C4

Telephone: (403) 216-3939
Toll Free: (877) 818-6825
Telefax: (403) 234-8731
website: www.totalenergy.ca
email: investorrelations@totalenergy.ca

AUDITOR

KPMG LLP
Calgary, Alberta

TRUSTEE, REGISTRAR AND TRANSFER AGENT

Olympia Trust Company
Calgary, Alberta

LEGAL COUNSEL

Bennett Jones, LLP
Calgary, Alberta

BANKER

HSBC
Calgary, Alberta

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Symbol: TOT.UN

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