Management's Discussion and Analysis

Central Alberta Well Services Corp.

Highlights

	THREE MONTHS ENDED MARCH 31	
	2008	2007
Revenues	$ 24,585,337	$ 16,897,789
Operating costs	14,790,340	10,384,915
	9,794,997	6,512,874
	39.8%	38.5%
General and administrative expenses	2,731,840	1,880,918
EBITDAS (1)	7,063,157	4,631,956
EBITDAS (1) per share:		
Basic and diluted	0.25	0.11
Stock based compensation	183,804	363,701
Interest	1,300,828	2,312,871
Depreciation and amortization	3,493,166	2,416,607
Net income (loss) before tax	2,085,359	(461,223)
Cash flows from operations	(6,667,541)	2,074,554
Less: Change in non-cash working capital	(12,823,276)	(476,272)
Funds from operations (2)	6,155,735	2,550,826
Funds from operations per share (2):		
Basic and diluted (3)	$ 0.22	$ 0.24
Earnings (loss) per share:		
Basic and diluted (3)	$ 0.06	$ (0.02)
Purchase of property, plant and equipment	$ 15,542,589	$ 12,577,205

(1) EBITDAS is calculated from the statement of income (loss) as revenue less operating costs and general and administrative expenses, exclusive of stock based compensation costs, and is used to assist management and investors in assessing the Company's ability to generate cash from operations. EBITDAS is a non-GAAP measure and does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures provided by other companies. Number of shares outstanding is post consolidation of common shares described in Note 8 of the March 31, 2008 interim financial statements of the Company.

(2) Funds from operations is defined as cash from operating activities before changes in non-cash working capital. Funds from operations and funds from operations per share are measures that provide investors additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Funds from operations and Funds from operations per share do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures provided by other companies. Number of shares outstanding is post consolidation of common shares described in Note 8 of the March 31, 2008 interim financial statements of the Company.

(3) Per share information has been retroactively restated for prior periods to reflect the consolidation on a 1:4 basis as outlined in Note 8 of the financial statements.

The following is Management's Discussion and Analysis ("MD&A") of Central Alberta Well Services Corp.'s ("CWC" or the "Company") unaudited operating and financial results for the quarter ended March 31, 2008. This MD&A should be read in conjunction with CWC's audited financial statements for the year ended December 31, 2007. Additional information, including the Annual Information Form ("AIF"), on the Company can be found on the Company's website at www.cawsc.com or on SEDAR at www.sedar.com. The information provided in this MD&A is current as of May 26, 2008.

This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions.

Certain statements contained in this MD&A, including statements which may contain such words as "could", "should", "believe", "expect", "will", and similar expressions and statements relating to matters that are not historical facts are forward-looking statements including, but not limited to, statements as to: future capital expenditures, including the amount and nature thereof; business strategy; expansion and growth of the Company's business and operations; and other matters.

Management has made certain assumptions and analyses which reflect their experiences and knowledge in the industry. These assumptions and analyses are believed to be accurate and truthful at the time, but the Company can not assure readers that actual results will be consistent with these forward looking statements.

However, whether actual results, performance, or achievements will conform to the Company's expectations and predictions is subject to known and unknown risks and uncertainties which could cause actual results to differ materially from the Company's expectations. Additional information regarding the risks and uncertainties significant to the Company are provided in the AIF.

All forward-looking statements made in the MD&A are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected outcomes to or effects on the Company or its business operations. The Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable securities legislation.

Corporate Development

During the first quarter of 2008, the Company continued to focus on growing the size of the operating fleet through asset acquisition and by manufacturing key pieces of equipment. In the year ended December 31, 2007, the Company introduced two coil tubing units, four single service rigs, two mobile double service rigs, three skidded double service rigs, one nitrogen unit and two snubbing units including one 5K stand-alone unit representing a total investment just over $37 million in operating assets. In the first quarter of 2008, the Company took possession of four newly completed service rigs and related equipment. In addition, the Company completed the acquisition of nine additional service rigs and established an operation base in Brooks, Alberta, representing a total investment of $11.3 million. In addition, the Company retained the employees of the division.

The Company's corporate office is located in Calgary, Alberta and the main operating center is located in Red Deer, Alberta, with branch offices in Provost, Brooks and Whitecourt. The Company provides well services to oil and gas exploration and development companies operating in Western Canada.

Overview

For the quarter ending March 31, 2008, the Company generated $24.6 million in revenue and net income before tax of $2.1 million compared to 2007 revenues of $16.9 million and a loss of $0.5 million before tax. This increase is a result of combined efforts of both the Well Servicing Segment and the Other Oilfield Services Segment. In the Well Servicing Segment, the $7.1 million or 70% year over year increase in revenues was largely a result of the acquisition of nine additional service rigs and related equipment acquired which established a physical presence for the Company in Brooks, Alberta. In the Oilfield Services Segment, increased utilization rates as a result of strengthening natural gas prices and successful multi-services marketing resulted in the year over year increase in revenues of $0.6 million and a year over year increase of $0.9 million or 113% in the segment net income.

Utilization for the first quarter of 2008 for the Well Servicing Segment was 72% (22,921 hours) versus 87% (16,700 hours) for the first quarter of 2007. The decreased utilization year over year in the Well Servicing Segment despite the increase in hours was a result of two service rigs undergoing major repairs and new rigs built under the capital build program were not utilized as soon as had originally been anticipated. Utilization for the Other Oilfield Services Segment in the first quarter was 53% versus 59% in the first quarter of 2007. Utilizations in the Other Oilfield Services Segment are based on the number of jobs performed in the period.

The Company took possession of four service rigs in the final quarter of 2007. Four additional manufactured and nine rigs acquired from Wellco Energy Services Partnership ("Wellco") were added to the fleet in the first quarter of 2008. The final rig under the capital build program was delivered early in the second quarter of 2008.

	THREE MONTHS ENDED MARCH 31	
	2008	2007
WELL SERVICING		
Revenues	$ 17,206,513	$ 10,136,751
Income (loss) before income taxes	2,752,040	2,221,572
EBITDAS [1]	5,441,958	4,158,471
OTHER OILFIELD SERVICES		
Revenues	7,378,824	6,761,037
Income (loss) before income taxes	1,626,522	762,623
EBITDAS [1]	2,385,510	1,553,909
CORPORATE		
Revenues	–	–
Income (loss) before income taxes	(2,293,203)	(3,445,418)
EBITDAS [1]	(764,311)	(1,080,424)

(1) EBITDAS is calculated from the statement of income (loss) as revenue less operating costs and general and administrative expenses, exclusive of stock based compensation costs, and is used to assist management and investors in assessing the Company's ability to generate cash from operations. EBITDAS is a non-GAAP measure and does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures provided by other companies. Number of shares outstanding is post consolidation of common shares described in Note 8 of the March 31, 2008 interim financial statements of the Company.

Operational Overview

CWC operates from five facilities; two in Red Deer, one in Provost, a satellite branch in Whitecourt, as well as the newly established facility in Brooks, Alberta. The Company provides well services to oil and gas exploration and development companies operating in the Western Canadian Sedimentary Basin ("WCSB") including completions, work-over and abandonment, well maintenance, high pressure and critical sour gas well work, re-entry preparation and re-entry drilling and coal bed methane work-overs and completions.

The Company has focused on developing its core business of providing service rigs to customers in the WCSB while at the same time developing a number of support services which are also required by its customers. The Company continued to fabricate equipment through the end of 2007 with the final phase of the capital build program completed early in the second quarter of 2008. In addition, nine service rigs and related equipment were acquired from Wellco.

As a result of this expansion, the Company now operates the following fleet of equipment within the WCSB:

	2008	2007				2006
UNITS OPERATING AT END OF PERIOD	MARCH 31	DECEMBER 31	SEPTEMBER 30	JUNE 30	MARCH 31	DECEMBER 31
Service rigs	37	24	21	19	18	16
Coil units	8	8	8	8	8	7
Snubbing units	7	7	7	7	7	5
Nitrogen tankers & pumpers	14	14	14	13	13	11
Pressure tanks	12	12	12	12	12	12

The Company continues to follow its business plan of operating an equipment fleet which utilizes similar components throughout all units in order to minimize the amount of spare equipment that must be carried as well as the level of inventory that must be held to service the equipment. The Company's commitment to building a modern fleet with leading edge technology continues to stand out in an industry characterized by an ageing equipment infrastructure.

Significant Agreements

The Company continued to fabricate all service rigs through a supply agreement that has been in place since 2005. For the last several service rigs being fabricated, some of the support equipment was completed outside of this agreement on more favorable terms to the Company. Following the delivery of the final service rig early in second quarter of 2008, the Company has completed its capital build program for 2007 and its commitment under the supply agreement has been fully satisfied.

Selected Financial Information

(In thousands, except per share data)	2008	2007				2006			
THREE MONTHS ENDING	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	$ 24,585	$ 12,574	$ 11,913	$ 5,966	$ 16,898	$ 13,942	$ 13,289	$ 7,635	$ 4,931
Net income (loss)	1,771	5	(784)	(4,310)	(254)	(11,506)	183	(762)	103
EPS: Basic and diluted	0.06	0.00	(0.03)	(0.19)	(0.02)	(1.20)	0	(0.07)	–
Weighted average Class A common shares	21,532	22,533	22,663	14,427	10,468	10,437	10,430	10,430	7,114
Weighted average Class B common shares	6,343	5,748	5,654	6,772	–	–	–	–	–
Total weighted average common shares	27,875	28,281	28,317	21,199	10,468	10,437	10,430	10,430	7,114
Total assets	140,868	118,465	110,762	107,107	106,675	94,798	109,107	91,475	81,371
Long-term debt	49,363	29,454	20,375	15,499	58,135	16,524	16,938	17,183	14,041
Purchase of property, plant and equipment	$ 15,543	$ 12,154	$ 5,551	$ 6,770	$ 12,577	$ 5,153	$ 6,477	$ 20,076	$ 9,262

* EPS and weighted average common shares shown above have been restated for prior periods taking into account the 1:4 basis as consolidation of shares outlined in Note 8 of the March 31, 2008 interim financial statements.

The quarterly results of operations have been provided for the first quarter of 2008, the four quarters of 2007 and the comparable four quarters of 2006. Year over year revenues increased by $7.7 million or 45.5%. This increase is a result of the capital build initiative that began in 2007 and saw the Company build around its core business – service rigs. The majority of the revenue increase occurred in the Well Servicing Segment due to nine additional rigs that were acquired from Wellco in Brooks, Alberta in January of 2008, as well as those acquired under the planned capital build program.

Capital expenditures include assets under construction at the end of each of the quarters presented. Assets under construction are not depreciated until they are available for use.

Quarterly Review

	2008	2007	
	THREE MONTHS ENDED MARCH 31	TWELVE MONTHS ENDED DECEMBER 31	THREE MONTHS ENDED MARCH 31
Wages and benefits	$ 1,542,599	$ 3,543,554	$ 954,672
Bad debts (recoveries)	20,000	(3,489)	(1,734)
Office	150,929	569,544	218,862
Facility	348,475	1,095,968	242,099
Professional fees	222,762	449,437	140,008
Other administration	447,075	1,133,876	327,011
	$ 2,731,840	$ 6,788,890	$ 1,880,918

General and administrative expenditures for the first quarter of 2008 were 11.1% of revenue, consistent with 2007. Management of the Company believes it has the correct level of support to continue to grow organically and through acquisitions.

Bad debt expense in the first quarter of 2008 relates to a customer the Company feels poses an increased risk due to changes in their business. During 2007 the Company recorded a net recovery of bad debt expenses.

Interest expense amounted to $1.3 million including interest paid and amortization of transaction costs calculated using the effective interest method on the various debt instruments the Company utilized during the first quarter of 2008. Interest expense has decreased $1.0 million year over year which is consistent with the more favorable terms of the refinancing of the debt in the first quarter of 2007.

Capital expenditures of $15.5 million in the first quarter of 2008 consisted of the service rig assets acquired from Wellco which operates out of Brooks, Alberta and fabrication of equipment, as noted previously, including assets that are still under construction at the end of the quarter.

Liquidity and Capital Resources

	2008	2007			
FOR THE QUARTER ENDED	MARCH 31	DECEMBER 31	SEPTEMBER 30	JUNE 30	MARCH 31
Working capital (deficiency)	$ 18,332,475	$ 8,230,532	$ 10,766,402	$ 9,679,652	$ 11,588,974
Working capital (deficiency) – net of bridge loan and restricted cash	18,312,475	7,815,532	10,351,402	9,264,652	11,173,974
Long-term debt	49,362,889	29,453,660	20,374,723	15,498,793	58,134,623
Shareholders' equity	83,843,830	81,916,194	82,032,188	82,550,545	37,148,201
Long-term debt to equity	0.59	0.36	0.25	0.19	1.56

	2006			
FOR THE QUARTER ENDED	DECEMBER 31	SEPTEMBER 30	JUNE 30	MARCH 31
Working capital (deficiency)	$ (27,256,935)	$ (23,307,384)	$ (17,519,991)	$ (194,130)
Working capital (deficiency) – net of bridge loan and restricted cash	7,330,725	6,120,890	3,074,368	(194,130)
Long-term debt	16,523,834	16,937,611	17,182,610	14,040,639
Shareholders' equity	34,626,065	45,578,780	45,300,850	45,628,496
Long-term debt to equity	0.48	0.37	0.38	0.31

Working capital ended the quarter at $18.3 million net of bridge loan and restricted cash, an increase of $10.1 million from December 31, 2007 and $6.7 million year over year.

The increase in long-term debt of $19.9 million from the fourth quarter is a result of the completion of four service rigs and related equipment that began in 2007 as well as the acquisition of nine additional service rigs and related equipment from Wellco. This equipment is being constructed at several different fabrication facilities throughout Western Canada.

As at March 31, 2008, the Company had 21,463,730 Class A Common Shares and 6,403,531 Class B Common Shares issued and outstanding.

Contractual Obligations

The Company is committed to repayment of its long-term debt in January of 2010, including principal and interest. In addition, the Company has several vehicle leases, building and facility leases, and has recently entered into a lease on a property in Brooks, Alberta.

In the second quarter of 2008, the Company has taken delivery of the final service rig and related equipment under the capital build program initiated in 2007.

Critical Accounting Estimates

This Management's Discussion and Analysis of the Company's financial condition and results of operations is based on the financial statements which are prepared in accordance with Canadian generally accepted accounting principles (GAAP). The Company's significant accounting policies are discussed in note 4 of the December 31, 2007 annual audited financial statements. The presentation of these financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. These estimates are based on experience and assumptions that are believed to be reasonable under the circumstances. Although care has been taken, anticipating future events can not be done with certainty, therefore actual results may vary from these estimates over time as more accurate information is available and as the Company's operating environment changes.

Impairment of Long-Lived Assets: Long-lived assets, including property and equipment and intangible assets, comprise a majority of the Company's assets. Management reviews the carrying values of these assets for impairment periodically or whenever events or changes in circumstance indicate that their carrying value may not be recoverable. When this occurs management performs various tests to see if the net carrying value differs from fair value, and if the fair value is less than the carrying value the asset would be considered to be impaired and an impairment loss would be recognized to reduce the asset's carrying value to its estimated fair value.

Depreciation and Amortization: The Company's property, plant, equipment and intangibles are depreciated and amortized over estimated useful life using both straight line and unit-of-production methods. The estimates may change over time as more useful information becomes available, market conditions shift or other factors change the estimated useful life of the assets.

Stock Based Compensation: Stock based compensation expense associated with the stock-option rights granted to directors and employees is calculated based on assumptions using the Black-Scholes option pricing model to produce an estimate of compensation. This estimate may vary due to changes in the Black-Scholes variables, which include the risk free rate of return, the share price volatility and the rates of forfeiture.

Risk Management

Business Risk: Activity in the oil and gas industry is subject to a range of external factors that are difficult to actively manage, including resource demand, commodity pricing and climate. The Company plans to mitigate these risks by creating a strong balance sheet and remaining responsive to changes in industry dynamics.

The Company has a comprehensive insurance policy to help safeguard its assets, operations and employees. This is reviewed annually and revised as changes in circumstances warrant.

Credit Risk: The Company's policy is to enter into agreements with customers that are well-established and well-financed within the oil and gas industry reducing credit risk. There is always a risk relating to the financial stability of customers and their ability to pay. Management will continue to periodically asses the credit worthiness of all its customers and views the credit risk on its accounts receivable as normal for its industry.

During the first quarter of 2008, a customer of the Company changed their business operations in a manner that indicated to the Company that this customer may expose the Company to increased credit risk. As a result, bad debt expense of $20,000 was provided for in the first quarter of 2008.

Liquidity Risk: Liquidity risk relates to the risk that the Company will encounter difficulty in meeting its financial obligations. The credit facilities available mature on January 25, 2010. It is the intention of the Company that refinancing will be negotiated at that time should it be required. The Company may be exposed to liquidity risk if it is unable to collect its trade accounts receivable balances in a timely manner, which could in turn impact the Company's long-term ability to meet commitments under its current facilities. In order to manage this liquidity risk, the Company regularly reviews its aged accounts receivable listing to maintain accounts outstanding over 60 days to less than 25 percent of the total balance. In addition, the Company regularly reviews its components of debt to equity to maintain a conservative structure. Finally, in an effort to combat the seasonality of the oilfield business and reduce long-term liquidity risk exposure, the Company regularly reviews its cash availability and whenever the conditions permit, the excess cash is applied to the debt outstanding.

Market Risk: Market risk is comprised of interest rate risk and foreign currency risk. The Company's exposure to financial market risk is limited since there are no significant financial instruments which will fluctuate as a result of changes in market prices.

Foreign Currency Risk: Foreign currency risk arises from the fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. The Company is not significantly exposed to foreign currency risk.

Interest Rate Risk: The Company manages its exposure to interest rate fluctuations through the issuance of a combination of variable and fixed rate borrowings.

Supplier Risk: The Company has a large portion of its service rig and associated equipment manufactured by a single provider. While this arrangement provides certain market advantages, it also exposes the Company to potential short-term vulnerability if this supplier experiences unusual production disruptions or labour disputes.

Seasonal and Weather Risk: Seasonal factors and unexpected weather patterns may lead to reduced oil and gas exploration activity and corresponding declines in the demand for the Company's services during various times of the year.

Competitive Conditions: The operating climate within the Western Canadian Sedimentary Basin is very competitive, resulting in fluctuations of price and utilization rates. The Company attempts to mitigate these risks by creating a good working relationship with its customers and focusing on longer term contracts.

Internal Control Over Financial Reporting and Evaluation of Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer (the "Disclosure Officers") are responsible for establishing and maintaining the Company's disclosure controls and procedures to provide reasonable assurance that the material information relating to the Company is made known. Internal controls over financial reporting have been designed under the supervision of the Disclosure Officers to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statement for external purposes in accordance with Canadian GAAP.

Changes in Accounting Policies

On January 1, 2008, the Company adopted CICA Handbook Sections 3130 "Inventories", Section 3862"Financial Instruments – Disclosures", Section 3863 "Financial Instruments – Presentation", and Section 1535 "Capital Disclosures". These new standards have been adopted on a prospective basis with no restatement of prior periods.

Section 1535 requires the Company to disclose quantitative and qualitative information regarding its objectives, policies and processes for managing its capital. The Company has included this information as Note 5 to the March 31, 2008 interim financial statements.

Section 3031 requires inventories to be measured at the lower of cost or net realizable value and the reversal of previously recorded write downs to realizable value when the circumstances that caused the write down no longer exist. The new standard did not have a material impact on the Company's financial statements for the period ended March 31, 2008.

The new Sections 3862 "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation" will prescribe the requirements for presentation and disclosure of financial instruments. These two new standards increase the Company's disclosure regarding the nature and extent of the risks associated with financial instruments and how these risks are managed.

In February 2008, the Canadian Institute of Chartered Accountants issued Section 3064 "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and other intangible assets" and Section 3450, "Research and Development Costs". The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard will be applicable to the Company on January 1, 2009. The Company is currently evaluating the impact of this new section on its financial statements.

With the Canadian Accounting Standards Board's recent announcement that January 1, 2011 as the date International Financial Reporting Standards ("IFRS") will replace current Canadian GAAP for publicly accountable enterprises, the Company has been carefully evaluating its own implementation plan and assessing the impact the various accounting changes will have on the organization. As the final implementation date approaches, the Company will continue to monitor developments.

Outlook

The Company has continued to add to the core Well Servicing Segment with the addition of nine service rigs being purchased and the completion of the 2007 capital build program. At this time, the Company continues to evaluate opportunities as they arise, including fabricating new equipment and evaluating combinations with other companies in the industry which offer similar services.

The Company believes 2008 will continue with strong activity as the prices of natural gas and oil remain high, and the revisions in the government's royalty structure are incorporated. The Company anticipates exiting 2008 with increased revenues and profitability.