



NEWS RELEASE

SAXON ENERGY SERVICES INC.

**SAXON ANNOUNCES SECOND QUARTER RESULTS**

TSX Symbol: SES

All amounts are expressed in U.S. dollars unless otherwise noted

Calgary, Alberta, Canada – July 31, 2008

Saxon Energy Services Inc. (“Saxon” or the “Corporation”) is pleased to announce its second quarter results.

For the second quarter of 2008 the Corporation generated \$73.3 million in revenue and net earnings of \$6.8 million (\$0.08 per diluted share) compared to revenue of \$56.6 million and net earnings of \$4.6 million (\$0.05 per diluted share) in the second quarter of 2007. On a year-to-date basis, the Corporation generated \$145.5 million in revenue and net earnings of \$11.9 million (\$0.14 per diluted share) compared to revenue of \$111.6 million and net earnings of \$12.6 million (\$0.15 per diluted share) in the prior year.

**Highlights**

	Three months ended June 30			Six months ended June 30		
	2008	2007	%	2008	2007	%
<i>(\$000's except per share amounts and operating data)</i>						
Revenue	73,302	56,635	29	145,462	111,560	30
EBITDAS <sup>(1)</sup>	18,409	13,755	34	37,070	32,784	13
Operating earnings <sup>(2)</sup>	12,908	8,284	56	24,196	22,103	9
Net earnings	6,758	4,601	47	11,876	12,618	(6)
Cash flow from operations	13,725	16,325	(16)	29,639	30,714	(4)
EBITDAS per share (\$) <sup>(1)</sup>						
Basic	0.22	0.16	38	0.44	0.39	13
Diluted	0.21	0.16	31	0.43	0.39	10
Net earnings per share (\$)						
Basic	0.08	0.05	60	0.14	0.15	(7)
Diluted	0.08	0.05	60	0.14	0.15	(7)
Weighted average share (000's)						
Basic	84,667	84,181	1	84,627	84,060	1
Diluted	86,581	85,554	1	85,890	84,866	1
Revenue per operating day <sup>(3)</sup>	22.4	18.4	22	21.8	18.1	20
Operating days <sup>(4) (5)</sup>	3,272	3,049	7	6,679	6,123	9
Available days <sup>(5)</sup>	4,880	4,291	14	9,624	8,405	15
Utilization	67%	71%		69%	73%	

## Overview

Revenue for the second quarter of 2008 was \$16.7 million (29%) higher than the second quarter of 2007. Operating days increased by 7%, driven by rig fleet expansion in the U.S. and Mexico and rig redeployments in South America, but was partially offset by a decline in activity in Ecuador. Revenue per operating day was 22% higher than the second quarter of 2007. Operating earnings increased \$4.6 million (56%) compared to the second quarter of 2007, mainly the result of additional rigs deployed since the second quarter of 2007 into the U.S. and Mexico and day rate increases in Colombia and Venezuela.

On a year-to-date basis in 2008 revenue was \$33.9 million (30%) higher than the same period in 2007. Operating days increased by 9%, the result of rig fleet expansion in the U.S. and Mexico since the beginning of 2007 and rig redeployments in Colombia. This increase in activity was offset in part by a reduction in Canadian activity due to soft market conditions and a reduction in activity in Ecuador due to an uncertain political environment. Operating earnings were \$2.1 million higher than the same period in 2007 fueled by increases in activity and dayrates but also offset somewhat by a number of non-recurring items primarily occurring in the first quarter of 2008.

## South America

Selected operating data	Three months ended June 30			Six months ended June 30		
	2008	2007	%	2008	2007	%
Revenue	35,747	31,160	15	68,302	53,725	27
EBITDAS	9,503	7,905	20	18,136	15,213	19
Operating earnings	7,732	5,627	37	13,566	11,023	23
Revenue per operating day	24.7	18.0	37	23.7	17.3	37
Operating days						
Colombia	623	553	13	1,215	1,003	21
Peru	182	182	-	364	362	1
Ecuador	384	757	(49)	792	1,323	(40)
Venezuela	258	240	8	511	420	22
South America	1,447	1,732	(16)	2,882	3,108	(7)
Utilization						
Colombia	95%	100%		98%	100%	
Peru	100%	100%		100%	94%	
Ecuador	51%	92%		50%	81%	
Venezuela	95%	88%		94%	73%	
South America	78%	95%		77%	87%	

Revenue for the second quarter of 2008 was \$4.6 million (15%) higher than the second quarter of 2007 with all countries at or near full utilization with the exception of Ecuador. Operating days were 285 (16%) below the second quarter of 2007. Average revenue per operating day was 37% higher than the second quarter of 2007. The overall increase in revenue was the result of several factors including higher dayrates in Colombia, Peru and Venezuela (\$3.6 million), higher activity in Colombia and Venezuela (\$1.7 million), higher reimbursable revenue (\$500,000) and a stronger Colombian peso (\$800,000). These positive factors were offset in part by the decline in workover activity in Ecuador (\$2.3 million) as the current political climate is not conducive to new international investments and has impacted our clients' workover programs.

Operating earnings for the second quarter of 2008 were \$2.1 million (37%) higher than the second quarter of 2007 and improved as a percentage of revenue (2008: 22%; 2007: 18%). Higher day rates and activity in Colombia, Peru and Venezuela helped boost operating earnings but was tempered by a loss incurred on a rig mobilization (\$700,000) and increased maintenance costs (\$300,000).

On a year-to-date basis in 2008 revenue was \$14.6 million (27%) higher compared to the same period in 2007 with all countries at or near full utilization with the exception of Ecuador. Operating days were 226 below that of 2007 as additional days from rigs redeployed into Colombia and a rig in Venezuela that was idle in the first quarter of 2007 were offset by decreased operating days in Ecuador. Revenue per operating day was 37% higher than 2007.

On a year-to-date basis, operating earnings were \$2.5 million higher compared to the same period last year.

**North America**

<i>Selected operating data</i>	Three months ended June 30			Six months ended June 30		
	2008	2007	%	2008	2007	%
Revenue	37,512	24,974	50	77,083	57,334	34
EBITDAS	13,162	7,602	73	26,511	20,932	27
Operating earnings	<u>9,368</u>	<u>4,722</u>	<u>98</u>	<u>18,560</u>	<u>14,851</u>	<u>25</u>
Revenue per operating day	20.6	19.0	8	20.3	19.0	7
Operating days						
United States	1,250	910	37	2,510	1,746	44
Mexico	556	371	50	1,017	739	38
Canada	<u>19</u>	<u>36</u>	<u>(47)</u>	<u>270</u>	<u>530</u>	<u>(49)</u>
North America	1,825	1,317	39	3,797	3,015	26
Utilization						
United States	72%	71%		74%	71%	
Mexico	100%	100%		100%	100%	
Canada	<u>3%</u>	<u>4%</u>		<u>19%</u>	<u>33%</u>	
North America	<u>61%</u>	<u>53%</u>		<u>64%</u>	<u>62%</u>	

Revenue for the second quarter of 2008 was up \$12.5 million (50%) from the second quarter of 2007, primarily the result of additional operating days (\$10.2 million), higher average day rates (\$1.0 million) and higher reimbursable revenues (\$1.7 million), offset in part by lower lease revenue (\$400,000). Operating days rose by 508 (39%), the result of the deployment of five new ATS® rigs into the U.S. since the second quarter of 2007 and three (1.5 net) new ATD® rigs into Mexico. Excluding the effect of low margin reimbursable revenue, revenue per operating day was 3% higher than the second quarter of 2007 and added \$1.0 million to revenue as the newly deployed rigs generated higher average revenue per operating day. The effect of the new Mexico and U.S. rigs on average day rates was offset in part by the effect of lower rates while three rigs in Mexico were on standby between contracts during part of April. Consistent with the prior year quarter, operations in Canada were reduced to almost nil, the result of an expected seasonal drilling slowdown that commonly occurs during spring break-up.

Operating earnings for the second quarter of 2008 were \$4.6 million (98%) higher than the second quarter of 2007 and improved as a percentage of revenue (2008: 25%; 2007: 19%) due to increased activity and average dayrates. Operating earnings as a percent of revenue was negatively affected by the increase in low margin reimbursable revenue which does not generate significant operating earnings.

On a year-to-date basis revenue increased \$19.7 million compared to 2007, the result of 782 more operating days (\$14.9 million), higher average dayrates (\$900,000) and higher reimbursable revenues (\$3.9 million). Operating days rose due to the deployment of seven new rigs into the U.S. (including five ATS® rigs) since the beginning of 2007 and three (1.5 net) new ATD® rigs into Mexico. The positive impact of these deployments was dampened by the significant decline in Canadian activity in the first quarter of 2008 compared to the same period in 2007 as soft market conditions reduced operating days and dayrates. The effect of higher dayrates on newly deployed rigs in the U.S. was partially offset by the lower Canadian dayrates and the fact that certain rigs in Mexico earned reduced dayrates on standby mode in the first quarter and first part of the second quarter of 2008 while awaiting redeployment to new contracts.

For the six months ended June 30, 2008 operating earnings were \$3.7 million (25%) higher compared to the same period in 2007 but declined as a percentage of revenue (2008: 24%; 2007: 26%).

**Corporate and Other**

<i>Selected operating data</i>	Three months ended June 30			Six months ended June 30		
	2008	2007	%	2008	2007	%
Revenue	43	501	(91)	77	501	(85)
EBITDAS	(4,256)	(1,752)	143	(7,577)	(3,361)	125
Operating earnings	<u>(4,192)</u>	<u>(2,065)</u>	<u>103</u>	<u>(7,930)</u>	<u>(3,771)</u>	<u>110</u>

Compared to the prior year quarter Corporate and Other expenses have increased as the Corporation incurred \$900,000 of transaction costs relating to the pending acquisition of the Corporation's shares by Sword Canada Acquisition Corporation ("Sword"), an acquisition company indirectly jointly owned by Schlumberger Oilfield Holdings

Limited and an affiliate of a fund managed by First Reserve Corporation. Corporate and Other costs also increased due to the addition of resources to support the Corporation's growing international operations (\$900,000). Expenses in this segment were negatively impacted by the increased strength of the Canadian dollar against the U.S. dollar (\$200,000), but this was partially offset by a foreign exchange gain of \$100,000 related to net monetary assets compared to a loss of \$300,000 in the prior year quarter. In the second quarter of 2007 this segment recorded revenue related to fees earned for managing the construction of drilling rigs for deployment in Mexico; no such revenue was earned in the second quarter of 2008.

On a year-to-date basis, acquisition related transaction costs totaled \$1.3 million and the added corporate resources resulted in additional costs of \$1.6 million. The impact of the increased strength of the Canadian dollar compared to the U.S. dollar negatively impacted this segment by \$500,000. Revenue generated by this segment in 2007 related to fees earned for managing the construction of drilling rigs for deployment in Mexico; no such revenue was earned in 2008.

### **Income Taxes**

The Corporation's effective tax rate increased to 35% in the second quarter of 2008 compared to 17% in the prior year quarter. In the second quarter of 2008 the effective tax rate increased as the Corporation's operations were weighted more towards jurisdictions with higher statutory tax rates, particularly in the U.S., and the fact that the value of Canadian tax losses were lower due to the utilization of a lower future tax recovery rate. Additionally, in the second quarter of 2007 the Corporation recognized the benefit of a capital investment incentive deduction in Colombia of \$507,000 related to the importation of a drilling rig from Venezuela.

On a year-to-date basis the Corporation's effective tax rate increased to 37% compared to 25% in the prior year. In addition to those items mentioned above, the effective tax rate was further affected by a \$1.5 million non-deductible provision for prior years' value added taxes in Venezuela recorded in the first quarter of 2008.

### **Other Financial Information**

#### **Working Capital**

At June 30, 2008 the Corporation had a working capital deficiency of \$17.1 million compared to an excess of \$18.2 million at December 31, 2007. The deficiency is primarily due to the reclassification of the Corporation's revolving credit facility to current liabilities as it was not renewed in the quarter and will be due in June 2009. In the first quarter of 2008 the Corporation also classified an additional quarterly principal payment on its debt facilities to current liabilities (in June 2007 the Corporation received a principal repayment holiday on its term debt facility until May 2008 at which time principal repayments restarted in 11 quarterly installments).

#### **Financing Activities**

In the second quarter of 2008 the Corporation drew \$6.0 million under its revolving credit facility and made \$6.5 million in scheduled repayments against its term facilities.

On a year-to-date basis the Corporation drew \$9.0 million under its revolving credit facility and made \$12.0 million in repayments. The Corporation also made \$6.8 million in scheduled repayments against its term facilities. The net repayments were funded through cash flow from operations and proceeds received on the sale of an idle Canadian drilling rig.

#### **Investing Activities**

During the three and six months ended June 30, 2008 the Corporation invested \$14.7 million and \$25.1 million respectively in property and equipment as follows:

- \$12.2 million and \$19.7 million for expansion of the drilling rig fleet; and
- \$2.5 million and \$5.4 million on various capital upgrades to the Corporation's existing asset base.

#### **Outlook**

On July 15, 2008 the Corporation's shareholders approved the plan of arrangement involving Saxon, its shareholders, its option holders and Sword, an acquisition company indirectly jointly owned by Schlumberger Oilfield Holdings Limited and an affiliate of a fund managed by First Reserve Corporation (the "Arrangement"). As previously announced, the Arrangement involves the acquisition of all of Saxon's outstanding common shares for cash consideration of Cdn\$7.00 per share, other than a portion of the common shares held by certain members of senior management of Saxon which are expected to be exchanged for equity in an affiliate of Sword.

Completion of the Arrangement remains subject to a number of conditions, some of which are beyond Saxon's and Sword's control. Although the exact timing of implementation of the Arrangement is not currently known, both Saxon and Sword currently expect the closing to occur by the end of August 2008.

In view of these recent announcements there will be no conference call to discuss these results.

Notes:

1. *Neither Earnings before interest, taxes, depreciation, amortization and stock-based compensation ("EBITDAS") nor EBITDAS per share is a recognized measure under Canadian Generally Accepted Accounting Principles ("GAAP"). Management believes that in addition to cash flow from operations and net earnings, EBITDAS is a useful supplemental measure as it provides an indication of the operating cash flow generated by the Corporation's principal business activities. Readers should be cautioned that EBITDAS should not be construed as an alternative to cash flow from operations or net earnings determined in accordance with GAAP as an indicator of the Corporation's performance. The Corporation's method of calculating EBITDAS may differ from other companies and accordingly may not be comparable to measures used by other companies. EBITDAS is calculated as earnings before income taxes, plus or minus loss or gain on disposal of property and equipment, plus stock-based compensation, plus or minus financial expense or income, plus or minus foreign exchange loss or gain, plus depreciation and amortization.*
2. *Operating earnings is not a recognized measure under GAAP. Management believes that in addition to net earnings, operating earnings is a useful supplemental measure as it provides an indication of the results generated by the Corporation's principal business activities prior to consideration of how those activities are financed, how the results are taxed in various jurisdictions, or how the results are impacted by the accounting standards associated with the Corporation's stock-based compensation plans. Investors should be cautioned that operating earnings should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of the Corporation's performance. The Corporation's method of calculating operating earnings may differ from other companies and accordingly may not be comparable to measures used by other companies. Operating earnings is calculated as earnings before income taxes, plus stock-based compensation, plus or minus financial expense or income.*
3. *Revenue per operating day excludes revenue generated in Corporate and Other.*
4. *Operating days is not a recognized measure under GAAP. Management believes that in addition to net earnings, operating days is a useful supplemental measure as it provides an indication of the utilization of the Corporation's asset base. The Corporation's method of calculating operating days may differ from other companies and may not be comparable to measures used by other companies. Operating days is the total of all drilling, completion, workover, mobilization, standby and other revenue days in the period.*
5. *Net to the Corporation.*

**CONSOLIDATED BALANCE SHEETS***(Unaudited - \$000's)*

	<b>June 30,</b>	December 31,
	<b>2008</b>	2007
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	<b>10,342</b>	11,249
Accounts receivable	<b>63,332</b>	59,919
Prepaid expenses and deposits	<b>3,691</b>	3,703
Long-lived asset held for sale	<b>—</b>	4,245
	<b>77,365</b>	79,116
Property and equipment	<b>355,561</b>	344,575
Other accounts receivable	<b>2,220</b>	2,570
Intangible assets	<b>897</b>	1,277
Goodwill	<b>3,271</b>	3,528
	<b>439,314</b>	431,066
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	<b>30,765</b>	27,031
Income and other taxes payable	<b>13,671</b>	14,065
Current portion of long-term debt	<b>50,042</b>	19,805
	<b>94,478</b>	60,901
Long-term debt	<b>37,926</b>	77,644
Future income tax liability	<b>2,462</b>	361
Shareholders' equity		
Share capital	<b>218,296</b>	217,704
Contributed surplus	<b>25,027</b>	23,070
Retained earnings	<b>54,545</b>	42,669
Accumulated other comprehensive income	<b>6,580</b>	8,717
	<b>61,125</b>	51,386
Total shareholders' equity	<b>304,448</b>	292,160
	<b>439,314</b>	431,066

## CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

<i>(Unaudited - \$000's except per share amounts)</i>	Three months ended		Six months ended	
	June 30		June 30	
	2008	2007	2008	2007
Revenue	<b>73,302</b>	56,635	<b>145,462</b>	111,560
Expenses				
Direct operating	<b>46,391</b>	36,958	<b>92,517</b>	67,692
General and administrative	<b>8,502</b>	5,922	<b>15,875</b>	11,084
Depreciation and amortization	<b>6,161</b>	4,974	<b>12,346</b>	10,125
Foreign exchange (gain) loss	<b>(360)</b>	710	<b>820</b>	872
Financial expense	<b>1,454</b>	1,554	<b>3,195</b>	3,174
Stock-based compensation	<b>1,027</b>	1,168	<b>2,175</b>	2,178
Gain on disposal of property and equipment	<b>(300)</b>	(213)	<b>(292)</b>	(316)
	<b>62,875</b>	51,073	<b>126,636</b>	94,809
Earnings before income taxes	<b>10,427</b>	5,562	<b>18,826</b>	16,751
Income taxes				
Current	<b>2,040</b>	2,056	<b>4,897</b>	4,265
Future (reduction)	<b>1,629</b>	(1,095)	<b>2,053</b>	(132)
	<b>3,669</b>	961	<b>6,950</b>	4,133
Net earnings	<b>6,758</b>	4,601	<b>11,876</b>	12,618
Retained earnings, beginning of period	<b>47,787</b>	23,901	<b>42,669</b>	15,884
Retained earnings, end of period	<b>54,545</b>	28,502	<b>54,545</b>	28,502
Net earnings per share				
Basic	<b>0.08</b>	0.05	<b>0.14</b>	0.15
Diluted	<b>0.08</b>	0.05	<b>0.14</b>	0.15

## Consolidated Statements of Comprehensive Income

<i>(Unaudited - \$000's)</i>	Three months ended		Six months ended	
	June 30		June 30	
	2008	2007	2008	2007
Net earnings	<b>6,758</b>	4,601	<b>11,876</b>	12,618
Unrealized gains (losses) recorded on translation of assets and liabilities of self-sustaining operations denominated in foreign currency	<b>569</b>	5,349	<b>(2,129)</b>	6,035
Gains on derivatives designated as cash flow hedges in prior periods transferred to net earnings during the period, net of tax	<b>(211)</b>	—	<b>(446)</b>	—
Gains and losses on derivatives designated as cash flow hedges, net of tax	<b>41</b>	—	<b>438</b>	—
Comprehensive income	<b>7,157</b>	9,950	<b>9,739</b>	18,653

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited - \$000's)	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
<b>Cash provided by (used in):</b>				
<b>Operating activities</b>				
Net earnings	6,758	4,601	11,876	12,618
Items not involving cash:				
Depreciation and amortization	6,161	4,974	12,346	10,125
Stock-based compensation	1,027	1,168	2,175	2,178
Unrealized foreign exchange (gain) loss	(158)	—	255	—
Other	301	219	603	434
Future income tax (reduction)	1,629	(1,095)	2,053	(132)
Gain on disposal of property and equipment	(300)	(213)	(292)	(316)
	15,418	9,654	29,016	24,907
Change in non-cash working capital	(1,693)	6,671	623	5,807
	13,725	16,325	29,639	30,714
<b>Financing activities</b>				
Long-term debt	(497)	275	(9,796)	6,572
Issue of share capital	374	1,152	374	1,491
Debt financing costs	—	(300)	—	(532)
Intangible assets	—	(763)	—	(763)
	(123)	364	(9,422)	6,768
<b>Investing activities</b>				
Additions to property and equipment	(14,739)	(12,304)	(25,131)	(28,896)
Proceeds on disposal of property and equipment	307	1,107	4,486	1,256
Change in non-cash working capital	(441)	(5,449)	(479)	(4,167)
	(14,873)	(16,646)	(21,124)	(31,807)
<b>Change in cash position</b>	<b>(1,271)</b>	<b>43</b>	<b>(907)</b>	<b>5,675</b>
Cash and cash equivalents, beginning of year	11,613	16,087	11,249	10,455
<b>Cash and cash equivalents, end of year</b>	<b>10,342</b>	<b>16,130</b>	<b>10,342</b>	<b>16,130</b>
Interest paid	1,207	2,296	2,933	4,226
Interest received	37	90	129	116
Income taxes paid	3,335	1,255	4,296	2,799

**The Corporation is an emerging international oilfield services company that operates an established oil and gas drilling and workover business focusing on providing these services to major and intermediate oil and gas companies in North and South America. The common shares of the Corporation trade on the TSX under the symbol "SES".**

Forward-Looking Information

Certain information contained in this press release, including information and statements which may contain words such as "could", "plans", "should", "anticipates", "expects", "believes", "will", "forecasts", "budget" and similar expressions and statements relating to matters that are not historical facts, are forward-looking information including, but not limited to, information as to the completion of acquisition of all of the shares of the Corporation by Sword Canada Acquisition Corporation ("Sword") by way of plan of arrangement involving the Corporation, its shareholders, its option holders and Sword, an acquisition company indirectly jointly owned by Schlumberger Oilfield Holdings Limited and an affiliate of a fund managed by First Reserve Corporation ("Arrangement").

This forward-looking information is based on certain material factors, assumptions and analyses made by the Corporation in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. However, whether actual results, performance or achievements will conform with the Corporation's conclusions, forecasts, projections, expectations and predictions expressed or implied by the forward looking information in this press release is subject to known and unknown risks and uncertainties which could cause actual results to differ materially from the Corporation's conclusions, forecasts, projections, expectations and predictions expressed or implied by the forward looking information in this press release, including: the transaction to acquire all of the shares of the Corporation by Sword may not close for various reasons including, on account of conditions of closing not being fulfilled or a competing bid; and those risks and uncertainties described in the Corporation's continuous disclosure filings, including those referred to in the Corporation's Information Circular dated June 13, 2008 related to the Arrangement and the Corporation's Management's Discussion and Analysis for the most recently completed financial year end and in the Corporation's most recent Annual Information Form, all of which may be found on SEDAR at [www.sedar.com](http://www.sedar.com). If any of the above or other risks or uncertainties materialize, or if the material factors, assumptions and analyses applied by the Corporation are incorrect, actual results may vary materially from those expected in the forward looking information in this press release.

Consequently, all of the forward-looking information contained in this press release is qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Corporation expressed or implied by the forward looking information in this press release will be realized or, even if substantially realized, that they will have the expected consequences to or effects on the Corporation or its business operations. The Corporation assumes no obligation, except as required by law, to update publicly any such forward-looking information, whether as a result of new information, future events or otherwise. Readers should not place undue reliance on forward-looking information.

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