

FLINT ENERGY SERVICES LTD.

MANAGEMENT INFORMATION CIRCULAR AND PROXY STATEMENT

DATED MARCH 29, 2007

for the Annual Meeting of Shareholders
to be held on Monday, May 7, 2007

All dollar amounts in this Management Information Circular and Proxy Statement ("Information Circular") are in Canadian dollars unless otherwise stated.

General Proxy Information

This Information Circular is furnished by the management of Flint Energy Services Ltd. (the "Corporation") to holders (the "Shareholders") of common shares of the Corporation (the "Shares") in connection with the solicitation of proxies for use at the Annual Meeting of Shareholders of the Corporation (the "Meeting") to be held on the 7th day of May, 2007, at The Metropolitan Centre, 333 Fourth Avenue S.W., Calgary, Alberta at 3:00 p.m. (Calgary Time) and at any adjournment thereof, for the purposes set forth in the Notice of Annual Meeting accompanying this Information Circular (the "Notice of Meeting").

Solicitation of Proxies

The enclosed form of proxy is solicited by and on behalf of the management of the Corporation. The persons named in the enclosed form of proxy are directors or senior officers of the Corporation. A Shareholder desiring to appoint some other person (who need not be a Shareholder) to represent him or her at the Meeting may do so either by inserting such other person's name in the blank space provided in the proxy form or by completing another proper form of proxy.

Instruments of proxy must be received by the Corporation's agent, Computershare Investor Services ("Computershare"), Proxy Dept., 9th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1, Fax. No. 1-866-249-7775 (within North America) or (416) 263-9524 (outside North America), not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for the holding of the Meeting or any adjournment thereof. Solicitation will be primarily by mail, but some proxies may be solicited personally or by telephone, facsimile transmission or other electronic means by officers, directors or employees of the Corporation at a nominal cost. The cost of solicitation will be borne by the Corporation.

Voting of Common Shares - Advice to Beneficial Shareholders

The information set forth in this section is of significant importance to many Shareholders as a substantial number of Shareholders do not hold Shares in their own name (referred to herein as "Beneficial Shareholders"). Beneficial Shareholders should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders can be recognized and acted upon at the Meeting. If Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, then in almost all cases those Shares will not be registered in the shareholder's name on the records of the Corporation. Such Shares will more likely be registered under the name of the broker or an agent of a broker. Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, a broker and its agents and nominees are prohibited from voting Shares of the Corporation for the broker's clients.

Therefore, Beneficial Shareholders may not be recognized at the Meeting for the purposes of voting their Shares in person or by way of proxy.

Applicable Canadian regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of the Meeting. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is similar or identical to the form of proxy provided to registered Shareholders. However, its purpose is limited to instructing the registered Shareholder (the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communications ("ADP"). In most cases, ADP mails the proxy materials to the Beneficial Shareholders with a voting information form ("VIF") and asks them to return the VIF to ADP. Alternatively, Beneficial Shareholders can either call the toll-free telephone number to vote their Shares, or access ADP's dedicated voting web site at www.proxyvotecanada.com to deliver their voting instructions. ADP then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of the Shares to be represented at the Meeting. ***A Beneficial Shareholder receiving a VIF from ADP cannot use that proxy to vote Shares directly at the Meeting. The VIF must be returned to ADP, or alternatively, instructions must be received by ADP, well in advance of the Meeting in order to have the Shares voted.*** Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting the Shares registered in the name of his or her broker (or an agent of the broker), a Beneficial Shareholder may attend the Meeting as proxy holder for the registered Shareholder and vote the Shares in that capacity. A Beneficial Shareholder who wishes to attend the Meeting and indirectly vote his or her Shares as proxyholder for the registered Shareholder, should enter his or her own name in the blank space on the form of proxy provided to him or her and return the same to his or her broker (or broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

Record Date

The Board of Directors of the Corporation (the "Board") has fixed the record date for the Meeting at the close of business on March 26th, 2007 (the "Record Date"). Only Shareholders of the Corporation of record as at that date are entitled to receive notice of, and to vote at, the Meeting, unless such shareholder transfers Shares after the Record Date and the transferee establishes ownership of such Shares and demands, not later than the close of business ten (10) days before the Meeting, that the transferee's name be included in the list of Shareholders entitled to vote.

In addition, persons who are Beneficial Shareholders as of the Record Date will be entitled to vote at the Meeting in accordance with the procedures established pursuant to National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators.

Revocability of Proxy

A registered Shareholder who has submitted a proxy may revoke it at any time prior to the exercise thereof by (a) depositing an instrument in writing (which includes another proper form of proxy with a later date) executed by the Shareholder or by the Shareholder's attorney authorized in writing (i) at the offices of Computershare at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used or (ii) with the chair of the Meeting on the day of the Meeting or an adjournment thereof, or (b) attending the Meeting in person and registering with the scrutineers as a Shareholder personally present.

Exercise of Discretion by Proxyholders

Shares represented by proxy in favour of management nominees shall be voted on any ballot at the Meeting, and where the Shareholder specifies a choice with respect to any matter to be acted upon, the Shares shall be voted in accordance with the specification so made, including on any ballot.

In the absence of such specification, the Shares will be voted in favour of the matters to be acted upon. The persons appointed under the form of proxy furnished by the Corporation are conferred with discretionary authority with respect to amendments or variations of those matters specified in the proxy and Notice of Meeting and with respect to other matters which may properly come before the Meeting or any adjournment thereof. At the time of printing this Information Circular, management of the Corporation knows of no such amendment, variation or other matter.

Voting Shares and Principal Holders Thereof

The Corporation is authorized to issue an unlimited number of Shares. As of the date of this Information Circular, there are 47,168,794 Shares outstanding. Each Share carries the right to one vote on any matter properly coming before the Meeting.

On December 15, 2006, the Corporation effected a two-for-one stock split of the outstanding Shares, pursuant to which Shareholders of record at the close of business on such date received one additional Share for each Share held on such date. All data relating to Shares contained in this Information Circular is presented on a post-split basis unless otherwise indicated.

As of the date hereof, to the knowledge of the directors and executive officers of the Corporation, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, Shares carrying more than 10% or more of the voting rights attached to all issued and outstanding Shares, other than the following:

| Name | Nature of Ownership | Number of Shares | Percentage of Issued Shares |
|-------------------------|---------------------|------------------|-----------------------------|
| SCF-IV, LP ¹ | Direct | 9,472,860 | 20.0% |

Note:

1. Additionally, SCF-V, LP is the registered owner of 2,493,256 Shares, representing 5.3% of all issued and outstanding Shares. SCF-IV, LP and SCF-V, LP are each controlled, directly or indirectly, by SCF Partners. Mr. Geddes, a director of the Corporation, is a Managing Director of SCF Partners.

CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms) holds in excess of 10% of the Shares for the benefit of its participants.

Matters to be Acted Upon at the Meeting

Receipt of December 31, 2006 Financial Statements

The consolidated audited financial statements for the financial year ended December 31, 2006 of the Corporation have been distributed to Shareholders together with this Information Circular and published on the Internet on the System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at www.sedar.com. No formal action will be taken at the Meeting to approve the financial statements. If any Shareholders have questions respecting the December 31, 2006 consolidated financial statements, the questions may be brought forward at the Meeting.

Election Directors

The Board presently consists of nine (9) directors. The Board is elected annually and consists of such number of directors as fixed from time to time by resolution of the directors. The Articles of the Corporation provide that the Corporation may have a minimum of three (3) directors and a maximum of twelve (12) directors. The number of directors to be elected at the Meeting is fixed at nine (9) directors, to hold office until the next annual general meeting or until their successors are elected or appointed.

Unless otherwise directed, it is the intention of management to vote proxies given in respect of the Meeting or any adjournment thereof in favour of the election as directors of the nominees set forth below.

The names and provinces or states and countries of residence of the persons nominated for election as directors, the number of voting securities of the Corporation beneficially owned, directly or indirectly, or over which each exercises control or direction, the period served as director and the principal occupation, business or employment of each are as follows:

| Name, Province or State and Country of Residence | Number of Shares Beneficially Owned ¹ | Director Since | Principal Occupation |
|---|--|----------------|--|
| John Geddes ^{3,4} Alberta, Canada | Nil | 1998 | Managing Director, SCF Partners (<i>private equity firm</i>) |
| Brian Butlin ^{3,5} Alberta, Canada | 697,660 | 1998 | President, Butlin Holdings Ltd. (<i>private investment firm</i>) Previously President and CEO of the Corporation |
| Stuart O'Connor ^{2,11} Alberta, Canada | Nil | 1998 | President, Timber Ridge Capital Ltd. (<i>private holding and advisory firm</i>) |
| John Bates ^{2,6} Oklahoma, United States | 137,122 | 1998 | President, Flint Resources Company, LLC (<i>commercial construction and investments</i>) |
| Lyle Reid ^{2,7} Alberta, Canada | Nil | 1999 | President, Reid Equity Ventures Ltd. (<i>private investment firm</i>) |
| W.J. (Bill) Lingard Alberta, Canada | 22,000 | 2005 | President and CEO of the Corporation. Previously President of Nabors Drilling Limited (<i>oil and gas services</i>), Chief Operating Officer of Nabors Canada LP (<i>oil and gas services</i>), and Chief Operating Officer - Enserco Energy Service Company Inc. (<i>oil and gas services</i>) |
| Douglas E. Swanson ³ Texas, United States | 8,000 | 2005 | CEO, Oil States International Inc. (<i>oil and gas services</i>) |

| | | | |
|--|--------|------|--|
| T.D. (Terry) Freeman ^{8,9} Alberta, Canada | 38,950 | 2007 | Chief Financial Officer and Corporate Secretary of the Corporation |
| C. Douglas Annable ¹⁰ Alberta, Canada | Nil | 2007 | President, CD Consulting Inc. (<i>management consulting</i>). Previously President, Energy and Mining Division, Amec Americas Limited (<i>engineering, procurement and construction management company</i>) |

Notes:

- Information as to Shares beneficially owned, or over which control or direction is exercised, not being in the knowledge of the Corporation, has been furnished by the respective directors. Does not include Shares issuable upon exercise of options granted under the Corporation's Stock Option Plan (the "Plan"). See "Report on Executive Compensation, Stock Option Plan".
- Member of Audit Committee.
- Member of Corporate Governance and Compensation Committee.
- Mr. Geddes is a Managing Director of SCF Partners, an entity that controls, directly or indirectly, SCF-IV, LP and SCF-V, LP, which own 9,472,860 and 2,493,256 Shares, respectively. Mr. Geddes is the Chairman of the Board.
- Mr. Butlin is the Vice Chairman of the Board.
- Mr. Bates is the President of Flint Resources Company, LLC and several subsidiaries thereof, including FRC Investors Inc. which owns 1,984,120 Shares. Flint Resources Company, LLC and its subsidiaries are not related to the Corporation.
- Mr. Reid is a partner in Reid Partners I Ltd., which owns 1,086,280 Shares, and 254724 Alberta Ltd. which owns 12,252 Shares.
- Mr. Freeman is President of TDF Management Ltd. which owns 160,000 Shares.
- Information furnished for Mr. Freeman is for the preceding five years as is required for directors not elected to their present term of office by a vote of shareholders at a meeting, the notice of which was accompanied by an information circular. Mr. Freeman was appointed a director by the Board in March 2007. Mr. Freeman will retire as Chief Financial Officer and Corporate Secretary of the Corporation in March 2007.
- Information furnished for Mr. Annable is for the preceding five years as is required for directors not elected to their present term of office by a vote of shareholders at a meeting, the notice of which was accompanied by an information circular. Mr. Annable was appointed a director by the Board in February 2007.
- Mr. O'Connor is a trustee of The Ronnoco Family Trust, a family trust, which holds 10,860 Shares.

Each of the above nominees is a director of the Corporation elected at the last annual general meeting of Shareholders, with the exception of Messrs. Freeman and Annable, who were appointed by the Board since the last Annual General Meeting. All proposed nominees have consented to be named in this Information Circular and to serve as directors if elected. Each elected director will hold office until the close of the next Annual Meeting of Shareholders or until his successor is duly elected or appointed.

Appointment of Auditor

Unless otherwise directed, it is the intention of management to vote proxies given in respect of the Meeting or any adjournment thereof in favour of an ordinary resolution to appoint the firm of KPMG LLP, Chartered Accountants, Calgary, Alberta, to serve as auditor of the Corporation until the next annual general meeting of the Shareholders or until their successors are appointed, at a remuneration to be fixed by the Board. KPMG LLP has been the Corporation's auditor since April 9, 1998.

Other Matters

Management knows of no amendment or variation of any matter referred to in the Notice of Meeting or any other matter to come before the Meeting. However, if any such amendment, variation or other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

Statement of Executive Compensation

Summary Compensation Table

The following table contains information on compensation paid to or earned for the three most recently completed financial years by the Named Executive Officers of the Corporation. Pursuant to Form 51-102F6, *Statement of Executive Compensation*, of the Canadian Securities Administrators, "Named Executive Officers" means (i) each Chief Executive Officer of the Corporation during the most recently completed financial year ("CEO"), despite the amount of compensation of those individuals, (ii) each Chief Financial Officer of the Corporation during the most recently completed financial year ("CFO"), despite the amount of compensation of those individuals, (iii) each of the Corporation's three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers at the end of the most recently completed financial year and whose total salary and bonus exceeds \$150,000, and (iv) any additional individuals for whom disclosure would have been provided under (iii) except that the individual was not serving as an officer of the Corporation at the end of the most recently completed financial year end of the Corporation.

| Annual Compensation | | | | | Long-Term Compensation | | | |
|--|------------------------|-----------|-----------|---------------------------|--|---|---------------------------|------------------------|
| Name & Principal Position | Year Ended December 31 | Salary | Bonus | Other Annual Compensation | Awards | | Payouts | All Other Compensation |
| | | | | | Securities Under Options/SARs Granted ¹ | Restricted Shares or Restricted Share Units | LTIP Payouts ² | |
| W.J. (Bill) Lingard President and CEO ³ | 2006 | \$330,000 | \$300,000 | \$11,400 | 100,000 | Nil | \$40,000 | \$16,500 |
| | 2005 | \$287,500 | Nil | \$10,925 | 170,000 | Nil | \$30,000 | \$14,375 |
| T.D. (Terry) Freeman CFO and Corporate Secretary | 2006 | \$270,000 | \$187,200 | \$10,800 | 90,000 | Nil | \$60,000 | \$13,500 |
| | 2005 | \$260,000 | \$50,000 | Nil | 40,000 | Nil | \$30,000 | \$13,000 |
| | 2004 | \$250,000 | \$81,000 | Nil | 80,000 | Nil | \$22,500 | \$12,500 |
| Gary Foreman ⁴ Senior Vice President, Production Services | 2006 | \$240,000 | \$169,280 | \$11,400 | Nil | Nil | \$100,000 | \$12,000 |
| | 2005 | \$230,000 | \$25,000 | \$10,800 | 50,000 | Nil | Nil | \$11,500 |
| | 2004 | \$190,000 | \$168,900 | \$29,895 | 90,000 | Nil | Nil | Nil |
| Wayne Shaw Senior Vice President, Infrastructure Services | 2006 | \$240,000 | \$165,600 | \$10,800 | 90,000 | Nil | \$50,000 | \$12,000 |
| | 2005 | \$230,000 | \$39,000 | \$10,800 | 40,000 | Nil | \$25,000 | \$11,500 |
| | 2004 | \$195,000 | \$109,503 | \$20,250 | 70,000 | Nil | \$18,750 | Nil |
| Tim O'Brien, Senior Vice President, Oilfield Transportation, Tubular Management and Manufacturing | 2006 | \$215,000 | \$147,600 | \$10,800 | 80,000 | Nil | \$50,000 | \$9,000 |
| | 2005 | \$205,000 | \$39,000 | \$10,800 | 40,000 | Nil | \$25,000 | \$9,000 |
| | 2004 | \$195,000 | \$55,440 | \$19,500 | 60,000 | Nil | \$18,750 | Nil |

Notes:

- For more information on the Stock Option Plan of the Corporation, refer to "Report on Executive Compensation, Stock Option Plan".
- For more information on the Key Management Incentive Plan of the Corporation (being its only long-term incentive plan, or LTIP), refer to "Report on Executive Compensation, Long-Term Incentive Plan".

3. Mr. Lingard was appointed President and CEO of the Corporation on January 17, 2005.
4. Mr. Foreman's 2005 and 2006 compensation is in Canadian dollars while his 2004 compensation is in U.S. dollars.

Long Term Incentive Plan (LTIP) Payments During the Financial Year Ended December 31, 2006

The following table sets forth the details of all payments made under the Key Management Incentive Plan of the Corporation ("KMIP") to the Named Executive Officers during the financial year ended December 31, 2006:

| Name | KMIP Amounts Paid During the Year ¹ | Period Until Payout of Invested Portion of KMIP | Estimated Future Payouts Under Non-Securities-Price-Based Plans | | |
|----------------------|--|---|---|-----------|------------|
| | | | Threshold \$ | Target \$ | Maximum \$ |
| W.J. (Bill) Lingard | \$40,000 | January 15, 2007 | Nil | \$50,000 | \$50,000 |
| | | January 15, 2008 | Nil | \$40,000 | \$40,000 |
| T.D. (Terry) Freeman | \$60,000 | January 15, 2007 | Nil | \$37,500 | \$37,500 |
| | | January 15, 2008 | Nil | \$30,000 | \$30,000 |
| Gary Foreman | \$100,000 | January 15, 2007 | Nil | \$40,000 | \$40,000 |
| Wayne Shaw | \$50,000 | January 15, 2007 | Nil | \$31,250 | \$31,250 |
| | | January 15, 2008 | Nil | \$25,000 | \$25,000 |
| Tim O'Brien | \$50,000 | January 15, 2007 | Nil | \$31,200 | \$31,200 |
| | | January 15, 2008 | Nil | \$25,000 | \$25,000 |

Note:

1. For more information on the Key Management Incentive Plan of the Corporation (being its only long-term incentive plan or LTIP), refer to "Report on Executive Compensation, Long-Term Incentive Plan".

Option/Stock Appreciation Rights ("SARs") Grants During the Financial Year Ended December 31, 2006

The following table sets forth the details of all stock options granted under the Plan to the Named Executive Officers during the financial year ended December 31, 2006:

| Name | Securities Under Options/SARs Granted (#) ¹ | % of Total Options/SARs Granted to Employees in Financial Year | Exercise or Base Price (\$/Security) | Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security) | Expiration Date |
|----------------------|--|--|--------------------------------------|---|-------------------|
| W.J. (Bill) Lingard | 100,000 | 17.0 | \$24.25 | \$24.25 | February 27, 2011 |
| T.D. (Terry) Freeman | 90,000 | 15.3 | \$24.25 | \$24.25 | February 27, 2011 |
| Gary Foreman | nil | nil | nil | nil | |
| Wayne Shaw | 90,000 | 15.3 | \$24.25 | \$24.25 | February 27, 2011 |
| Tim O'Brien | 80,000 | 13.6 | \$24.25 | \$24.25 | February 27, 2011 |

Note:

1. For more information on the Stock Option Plan of the Corporation, refer to "Report on Executive Compensation, Stock Option Plan".

During the financial year ended December 31, 2006, the Corporation granted 1,049,000 stock options to directors, officers and employees with an exercise price of \$24.25 per share and expiry date of February 27, 2011, an additional 43,000 stock options with an exercise price of \$29.96 per share and expiry date of July 31, 2011, an additional 20,000 stock options with an exercise price of \$32.56 per share and expiry date of September 1, 2011, and an additional 43,150 stock options with an exercise price of \$28.10 per share and expiry date of November 3, 2011.

Aggregated Option/SAR Exercises During the Most Recently Completed Financial Year and Financial Year-End Option/SAR Values

The following table summarizes the number of Shares acquired during the financial year ended December 31, 2006 by the Named Executive Officers of the Corporation pursuant to the exercise of stock options granted under the Plan, the aggregate value realized upon such exercise, the number of Shares represented by unexercised options under the Plan and the value of unexercised in-the-money options, as at December 31, 2006. Value realized upon exercise is the difference between the fair market value of the underlying Shares on the exercise date and the exercise or base price of the options. The value of the unexercised in-the-money options at the financial year end is the difference between the exercise or base price of the options and the fair market value of the underlying Shares on December 31, 2006, which was \$29.75 per share. These values, unlike the amounts set forth in the column "Aggregate Value Realized", have not been, and may never be, realized. The unexercised options have not been, and may not be, exercised, and actual gains, if any, on exercise will depend on the value of the underlying Shares on the date of exercise. There can be no assurance that these values will be realized.

| Name | Securities Acquired on Exercise (#) ¹ | Aggregate Value Realized (\$) | Unexercised Options/SARs at December 31, 2006 exercisable/unexercisable (#) | Value of Unexercised in-the-money Options/SARs at December 31, 2006 exercisable/unexercisable (\$) |
|----------------------|--|-------------------------------|---|--|
| W.J. (Bill) Lingard | 110,000 | 1,837,500 | 93,334/66,666 | 1,278,337/1,461,674 |
| T.D. (Terry) Freeman | 120,000 | 2,508,804 | 136,667/73,333 | 2,079,406/559,994 |
| Gary Foreman | Nil | Nil | 56,602/Nil | 730,239/Nil |
| Wayne Shaw | 56,668 | 949,657 | 66,668/73,332 | 892,558/549,990 |
| Tim O'Brien | 138,334 | 2,516,983 | 60,000/66,666 | 926,941/633,327 |

Note:

- For more information on the Stock Option Plan of the Corporation, refer to "Report on Executive Compensation, Stock Option Plan".

Executive Employment Agreements

Each of the Named Executive Officers had at the end of the financial year ended December 31, 2006 an employment contract setting out the terms and conditions of their employment. Each of these individuals is entitled to base salary, annual bonus, long-term incentive plan participation, option grants, Employee Share Purchase Plan participation and customary perquisites, as stated elsewhere in this "Statement of Executive Compensation" section. The employment contracts of these individuals also include change of control provisions. Upon a change in the individual's responsibilities following a change of control, these provisions entitle the individual to a payment equivalent to 12 to 24 months of salary, depending on the individual's position and responsibilities.

Composition of Corporate Governance and Compensation Committee

The Corporate Governance and Compensation Committee (the "CG&C Committee") reports to the Board. The members of the CG&C Committee during the financial year ended December 31, 2006 were, and are as at the date of the Information Circular, Mr. Geddes, Mr. Butlin and Mr. Swanson, with Mr. Geddes serving as Chair. Messrs. Geddes and Swanson qualify as independent directors. Accordingly, the CG&C Committee consists of a majority of independent directors. Mr. Butlin, who retired as President and CEO of the Corporation on January 17, 2005, is a non-independent

director. For details of the relationships of Mr. Geddes in the context of the Corporation's acquisition of Transco Energy Services Ltd. on December 1, 2006, refer to "Interests of Informed Persons in Material Transactions".

Because the Board has six independent directors, three of whom must sit on the Audit Committee, and because the terms of reference of the CG&C Committee require it to have a minimum of three members, the Board considers the present composition of the CG&C Committee to be the most practicable and effective under the circumstances.

Report on Executive Compensation Responsibilities of the CG&C Committee

The CG&C Committee has responsibility for developing the approach of the Board in establishing and implementing appropriate compensation and human resource strategies, policies and practices that will attract, motivate and retain the quality of personnel required to meet the Corporation's business objectives. Specifically, the CG&C Committee has the authority and responsibility for:

- (a) reviewing and recommending remuneration strategies for the Corporation, with particular emphasis on the senior officers and the members of the Board;
- (b) assessing the performance of the CEO and, through the CEO, that of the other senior officers of the Corporation;
- (c) reviewing and assisting, where appropriate, in management succession planning and professional development planning for all of the officers of the Corporation;
- (d) establishing and recommending the compensation levels of the CEO and, through the CEO, compensation levels of the other officers of the Corporation;
- (e) establishing and recommending directors' compensation levels;
- (f) reviewing the overall parameters of the Plan and, in consultation with the CEO, recommending option allocations for officers, directors and other employees;
- (g) reviewing, periodically, the savings and other benefits plans of the Corporation to ensure the appropriateness thereof;
- (h) reviewing organizational structure changes, downsizing and other changes to the organization of the Corporation that may have a significant impact on the operating costs of the Corporation or its ability to achieve its business objectives; and
- (i) reviewing and recommending for approval by the Board, as required, all public or regulatory disclosure respecting compensation and the basis on which performance is measured in respect of compliance with applicable legislation, regulatory and/or stock exchange requirements or guidelines.

In completing the foregoing responsibilities, the CG&C Committee is authorized to engage consultants or compensation specialists and to take other steps in order to provide comparisons and analysis of compensation regimes in the marketplace with a view to ensuring that the overall compensation strategies and levels of the Corporation are competitive with those of its peer group companies.

Compensation Philosophy

The CG&C Committee's compensation philosophy for executives is based on ensuring the Corporation attracts and retains qualified individuals, with various incentives linked to financial performance and enhanced shareholder value. The Corporation's executive compensation program consists of four parts: base salary, annual bonus plan, long-term incentive plan, and the stock option plan.

Base Salaries

The base salary component for senior management positions in the Corporation is based primarily on the individual's duties and responsibilities, experience, expertise and the degree and knowledge required for the job function. Subjective factors such as leadership, commitment, attitude and motivational effects are also considered. Base salaries are reviewed annually with the objective of setting salary levels comparable to similar corporations in terms of type of business, size and complexity of operations.

Annual Bonus Plan

The Corporation provides an incentive bonus plan to the executive officers of the Corporation that is based on the achievement of financial and strategic objectives approved by the Board. Performance targets are approved by the Board having regard to such matters as the Board considers appropriate, including the prior year's performance as reflected in the audited financial statements and annual operating and capital budgets.

Long-Term Incentive Plan

The Board has approved the Key Management Incentive Plan (the "KMIP"). The KMIP consists of the awarding to participants of an annual bonus (if any) equal to an amount calculated by reference to a percentage of a participant's annual salary (the "Entitlement"). The Entitlement determined by the CG&C Committee on an annual basis and vests, unless otherwise determined by the Board, as to 12.5% on each of March 31, June 30, September 30 and December 31 of the relevant year, and as to the remaining 50% on December 31 of the year following the relevant year.

Stock Option Plan

The Corporation established a Stock Option Plan (the "Plan") on November 21, 2001. The purpose of the Plan is to advance the interests of the Corporation by encouraging the directors, officers and employees of the Corporation and its subsidiaries, to acquire Shares, thereby (i) increasing the proprietary interests of such persons in the Corporation, (ii) aligning the interests of such persons with the interests of the Shareholders generally, (iii) encouraging such persons to remain associated with the Corporation, and (iv) furnishing such persons with an additional incentive in their efforts on behalf of the Corporation. Options to purchase Shares under the Plan may be granted to the directors, officers and employees of the Corporation and its subsidiaries.

The Plan provides that it shall be administered by the Board, and that, notwithstanding any provision contained in the Plan, the Board shall have the right to delegate the administration and operation of the Plan, in whole or in part, to a committee of the Board or to the President or any other officer of the Corporation.

The Board may designate which of the directors, officers, and employees are to be granted options pursuant to the Plan and the number of options to be granted to each such participant, provided that:

- a) the aggregate number of Shares issuable to any one participant under the Plan and all other security based compensation arrangements of the Corporation shall not exceed either (i) 5% of the total number of issued and outstanding Shares at any given time (calculated on a non diluted basis) or (ii) 25% of the total number of Shares reserved for issuance to all participants under the Plan and to all participants under any other security based compensation arrangement of the Corporation;
- b) the aggregate number of Shares issuable to insiders of the Corporation, at any time, under all security based compensation arrangements of the Corporation, shall not exceed 10% of the total number of issued and outstanding Shares at any given time (calculated on a non diluted basis); and
- c) the aggregate number of Shares issued to insiders of the Corporation, within any one-year period, under all security based compensation arrangements of the Corporation, shall not exceed 10% of the total number of issued and outstanding Shares at any given time (calculated on a non diluted basis).

For the purposes of the foregoing, the term "insider" has the meaning attributed thereto in the rules of the Toronto Stock Exchange (the "TSX").

The Plan provides for a fixed maximum percentage of Shares reserved under the Plan, whereby the number of Shares under the Plan increases automatically with increases in the total number of Shares outstanding (commonly referred to as a "rolling maximum"). The fixed percentage is 12% of the total number of Shares outstanding, which as at the date of this Information Circular represents 5,660,255 Shares on a non-diluted basis. In addition, the Plan permits the reloading of Shares that make up the available pool once options granted under the Plan have been exercised (commonly referred to as an "evergreen" provision). TSX policies require that all unallocated options, rights or other entitlements under a security based compensation arrangement that does not provide for a fixed maximum number of shares issuable (such as the Plan) be re-approved every three years by a majority of the issuer's directors and its shareholders.

As of March 14, 2007 a total of 1,841,250 Shares have been issued pursuant to the Plan (representing 3.9% of the outstanding Shares) and 2,645,611 Shares remain issuable thereunder (representing 5.6% of the outstanding Shares). As of March 14, 2007 options to acquire 3,014,614 Shares are outstanding (representing 6.4% of the outstanding Shares) pursuant to the Plan.

The price payable upon the exercise of any options granted pursuant to the Plan is fixed by the Board at the time of the grant, provided that no options shall be granted with an exercise price at a discount to the market price, as determined in accordance with TSX requirements, of the Shares.

The options issued under the Plan shall be exercisable for the term established by the Board at the time of the grant of such options. No option shall be exercisable for a period exceeding five years from the date the option is granted unless otherwise specifically provided by the Board, and in any event, no option shall be exercisable for a period exceeding ten years from the date the option is granted. Options shall be subject to the vesting limitations which may be imposed by the Board at the time of the grant of such options.

The Board may, in its discretion, attach a right to surrender to any options granted pursuant to the Plan. Each such right shall entitle the participant to surrender to the Corporation for cancellation, unexercised, the related option and, in consideration for such surrender, to receive from the Corporation a payment in an amount equal to the excess, if any, of the market price, as determined in accordance with TSX requirements, of the Share issuable upon exercise of such option on the date of surrender, over the exercise price of such option.

If any participant in the Plan ceases to be a director, officer or employee entitled to participate in the Plan for any reason other than death, permanent disability or normal retirement, then upon such occurrence, (i) the unvested portion of his options will terminate immediately and (ii) the vested portion of his options shall expire and terminate at 5:00 p.m. (Calgary time) on the earlier of the date of the expiration of the option period and the 90th day after the date such participant ceases to hold the relevant position. In the event of the death, permanent disability or normal retirement of a participant, upon such occurrence, (i) the unvested portion of any options previously granted to him shall terminate immediately and (ii) the vested portion of such options shall be exercisable until the end of the option period or until the expiration of 12 months after the date of death, permanent disability or normal retirement of such participant, whichever is earlier. Notwithstanding any vesting restrictions, options may become immediately exercisable in the event of a change of control of the Corporation, as defined in the Plan, which definition includes, without limitation, a sale by the Corporation of all or substantially all of its assets.

Options issued under the Plan are not assignable.

The Board may, at any time, suspend or terminate the Plan without Shareholder approval. The Board may also, at any time, amend, revise, or repeal any terms of the Plan, or add any new terms to the Plan (any such change, an "amendment"), that do not specifically require Shareholder approval pursuant to the rules of the TSX or any other stock exchange or exchanges on which the Shares are listed. Such amendments by the Board may include, without limiting the generality of the foregoing:

- a) any amendment to the vesting provisions of the Plan or any option;
- b) any amendment to the termination provisions of the Plan or any option;
- c) any amendment to the definition in the Plan of "Participant" or otherwise relating to the eligibility of any participant;
- d) the reduction of the exercise price of an option or the extension of the term of an option, in each case other than an option held by an insider;
- e) the addition of any form of financial assistance by the Corporation for the acquisition by all or certain categories of participants of Shares under the Plan and the subsequent amendment of any such provision, including without limitation any such amendment more favourable to any such participants;
- f) the addition of a cashless exercise feature, payable in cash or securities, whether such feature provides for a full deduction of the number of underlying securities from the Plan reserve or otherwise;

g) any deferred or restricted share unit feature or any other provision which results in participants receiving securities without payment of cash consideration to the Corporation;
or

h) any other amendment, whether fundamental or otherwise;

provided, however, that no such amendment shall adversely alter the terms of any options or other awards theretofore granted under the Plan and any such amendment shall be subject to the rules and approval, if required, of the TSX or any other stock exchange or exchanges on which the Shares are listed. The Plan also provides that in the event that the rules of the TSX (or such other stock exchange on which the Shares may be listed and posted for trading) are amended to permit a broader scope of amendment powers by the Board, the Plan's amendment provisions shall be deemed to be amended concurrently with the amendment to such rules so as to provide such broader amendment powers to the Board.

The Corporation has not provided any financial assistance to participants in the exercise of any options to acquire Shares.

At the Corporation's Annual and Special Meeting of Shareholders held on May 10, 2006, Shareholders approved the following amendments to the Plan:

- (a) the maximum number of Shares issuable under the Plan was changed from a fixed number of 1,604,757 Shares (which, at the time of adoption of the Plan on November 21, 2001, represented 10% of the total number of outstanding Shares) to a fixed percentage of 12% of the total number of outstanding Shares from time to time;
- (b) the Plan amendment provisions were changed to provide the Board with the amendment powers described above in this section; and
- (c) the following miscellaneous amendments to the Plan were made:
 - i. the definition of "market price" used in the Plan was amended to conform with the amended definition of that term in the policies of the TSX;
 - ii. consultants of the Corporation and its subsidiaries and affiliates were removed as persons entitled to participate in the Plan;
 - iii. "share appreciation rights" under the Plan were re-characterized as "rights to surrender";
 - iv. a limit on the number of options that may be granted to any one participant under the Plan of 25% of the total number of Shares reserved for issuance to all participants under the Plan and any other security based compensation arrangement of the Corporation was added;
 - v. the provisions of the Plan limiting the number of options that may be granted to insiders of the Corporation without Shareholder approval were changed to provide that such limits shall not be exceeded in any event;
 - vi. an anti-dilution provision to provide for an appropriate adjustment to the number of Shares issuable upon exercise of an option and the price per Share covered by the option in the event of a subdivision, consolidation,

recapitalization or similar transaction affecting the outstanding Shares of the Corporation was added;

- vii. the provisions relating to accelerated vesting of options upon a change of control were amended to provide that the change of control shall be deemed to have occurred upon the entering into of the agreement, the announcement or commencement of the offer, the passing of the resolution or the issuance of the proxy solicitation circular, as the case may be, relating to the change of control transaction or event; subject in each case to the transaction or event proceeding to completion;
- viii. certain provisions that were contained in the main body of the Plan were added to the form of option agreement attached to the Plan, and vice-versa, so as to make the Plan and the form of option agreement more consistent and clear;
- ix. provisions relating to tax elections and withholdings were added; and
- x. certain ambiguities in the Plan were clarified (including the addition of a definition of "permanent disability"), typographical errors were fixed and other minor amendments of a "housekeeping" nature were made.

Employee Share Purchase Plan

On February 28, 2006, the Board approved an Employee Share Purchase Plan (the "ESPP") to encourage employees to invest in Shares through payroll deductions and lump sum payments and to allow the Corporation to provide an incentive to employees to invest in Shares. The ESPP became effective on July 1, 2006. The Corporation believes that the ESPP will aid in attracting, retaining and encouraging employees of exceptional ability due to the opportunity afforded them to acquire a proprietary interest in the Corporation. Participation in the ESPP is generally open to any employee of the Corporation or its subsidiaries who is a permanent full-time employee or permanent part-time employee working a minimum of 32 hours per week.

Enrollment in the ESPP is voluntary. A participant is entitled to contribute as a basic contribution a minimum of \$25 per pay period and a maximum of 20% of his or her eligible earnings per pay period to the ESPP and may make a supplementary lump-sum contribution no more frequently than once per fiscal quarter of the Corporation of a minimum of \$1,000 and a maximum of \$100,000. A participant may allocate his or her contributions to a standard account, an RRSP account or a combination of both. The Corporation pays all brokerage commissions, transfer taxes and other charges or expenses related to the purchase of Shares under the ESPP. The Corporation does not otherwise contribute to the ESPP or provide financial assistance to participants in respect of their participation in the ESPP.

All Shares purchased under the ESPP are outstanding Shares purchased in the market by the administrative agent appointed from time to time for the ESPP (the "Agent"). No Shares are issued from treasury under the ESPP. All cash dividends received by the Agent in respect of Shares held in the ESPP will be reinvested by the Agent in additional Shares.

Rights of participation in the ESPP are not transferable. A participant's participation in the ESPP will terminate upon the total disability, death or termination of the participant or upon the participant ceasing to satisfy all the requirements of the definition of "Employee" under the ESPP.

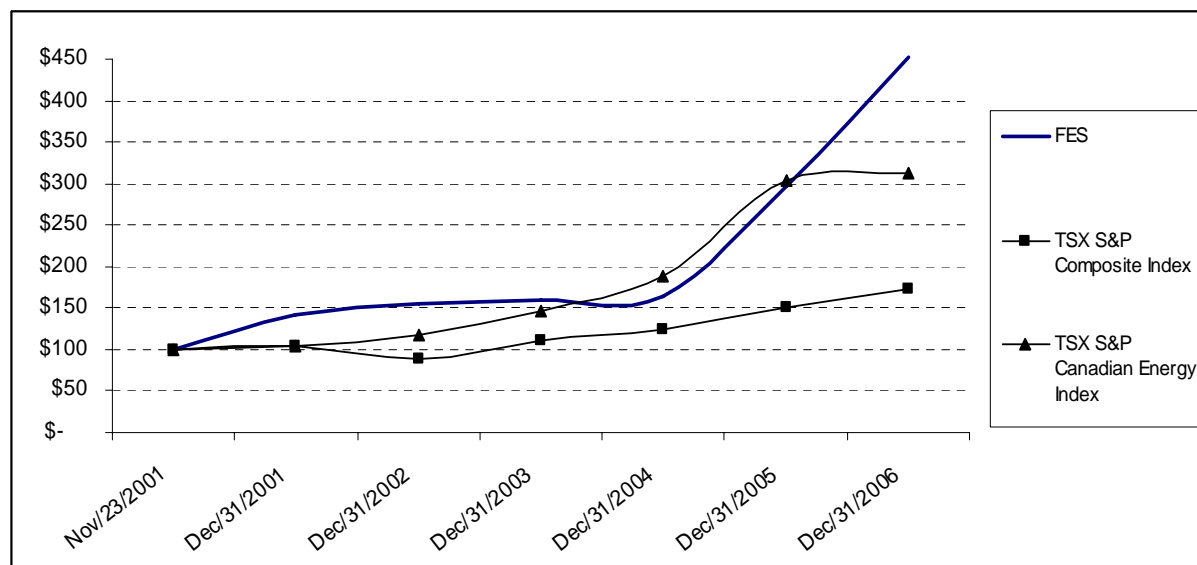
The CG&C Committee or the Board may at any time amend or terminate the ESPP in whole or in part, except in a manner which would deprive a participant of any benefits that have accrued to the date of amendment or termination or which would cause or permit any Shares or cash then held pursuant to the ESPP to revert to or become the property of the Corporation.

Compensation of the Chief Executive Officer

For the financial year ended December 31, 2006, Mr. Lingard's annual salary was \$330,000. In addition, Mr. Lingard received \$300,000 in performance bonus payments, \$40,000 under the KMIP and other compensation as described under "Statement of Executive Compensation, Summary Compensation Table". The CG&C Committee annually assesses the performance of the CEO. In determining Mr. Lingard's annual salary, the CG&C Committee considered the relative salary level of Mr. Lingard as compared with the salary levels for chief executive officers of companies in similar industries and of comparable size, Mr. Lingard's management experience, and his demonstrated competence in managing the Corporation.

Performance Graph

The following graph and accompanying table compare the cumulative total shareholder return for \$100 invested in Shares on November 23, 2001 (the first day of trading of Shares on the TSX) with the cumulative total shareholder return of the S&P/TSX Composite Index and the S&P/TSX Canadian Energy Index (in the case of each such index, assuming reinvestment of dividends) for the period ending on December 31, 2006:



| | Nov 23, 2001 | Dec 31, 2001 | Dec 31, 2002 | Dec 31, 2003 | Dec 31, 2004 | Dec 31, 2005 | Dec 31, 2006 |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| FES | \$100 | \$156 | \$171 | \$175 | \$179 | \$325 | \$453 |
| TSX/S&P Composite Index | \$100 | \$103 | \$89 | \$111 | \$124 | \$152 | \$174 |

| | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|
| TSX/S&P Canadian Energy Index | \$100 | \$105 | \$116 | \$144 | \$185 | \$296 | \$312 |
|--|-------|-------|-------|-------|-------|-------|-------|

Compensation of Directors

During the year ending December 31, 2006, the Corporation compensated its directors as outlined in the following table:

| | |
|--|---------------------|
| Annual Cash Retainer | \$15,000 per year |
| Board Meeting Fee (In Person) | \$1,000 per meeting |
| Teleconference Meeting or Committee Meeting scheduled separate from Regular Board Sessions | \$500 per meeting |
| Annual Stock Option Grant (subject to annual review by the CG&C Committee in conjunction with the Corporation's review of annual stock option grants to employees) | 20,000 options |

During the financial year ended December 31, 2006, the Corporation paid annual cash retainers totaling \$90,000, committee meeting fees totaling \$82,000, and board meeting fees totaling \$36,000 to directors. In addition, a total of 120,000 options to purchase Shares were issued to directors during the year, which does not include options granted to Mr. Lingard that are disclosed under "Statement of Executive Compensation, Options/Stock Appreciation Rights ("SARS") Grants During the Financial Year Ended December, 31, 2006. There were no other arrangements under which any of the directors were compensated for their services as directors, or as consultants or experts, during the year, whether for special assignments or otherwise.

Securities Authorized for Issuance under Equity Compensation Plans

The Plan, which has been approved by Shareholders, is the only equity compensation plan of the Corporation under which Shares are authorized for issuance. The following table indicates, as at December 31, 2006: (i) the total number of Shares to be issued upon exercise of all options outstanding under the Plan and the percentage of all outstanding Shares represented by that number; (ii) the weighted-average exercise price of all options outstanding under the Plan and (iii) the total number of Shares remaining available for future issuance under the Plan (other than Shares to be issued upon exercise of outstanding options) and the percentage of all outstanding Shares represented by that number.

| Plan Category | Shares to be issued upon exercise of outstanding options (#/%) | Weighted-average exercise price of outstanding options | Shares remaining available for future issuance under equity compensation plans (excluding Shares reflected in the first column (#/%) |
|---|---|---|---|
| Equity compensation plans approved by securityholders | 2,146,114/4.5% | \$18.77 | 3,514,141/7.5% |
| Equity compensation plans not approved by securityholders | n/a | n/a | n/a |
| Totals | 2,146,114/4.5% | | 3,514,141/7.5% |

Note:

- The Plan provides for a fixed maximum percentage of Shares reserved under the Plan, whereby the number of Shares under the Plan increases automatically with increases in the total number of Shares outstanding (commonly referred to as a "rolling maximum"). The fixed percentage is 12% of the total number of Shares outstanding.

For more information on the Plan, refer to "Report on Executive Compensation, Stock Option Plan".

Indebtedness of Directors and Executive Officers

Management is not aware of any indebtedness (other than routine indebtedness) of any individual who is, or at any time during the most recently completed financial year of the Corporation was, a director or executive officer of the Corporation, any nominee for election as a director of the Corporation (being the same individuals as the current directors) or any associate of any such person, to the Corporation or any of its subsidiaries, or of any guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Corporation or any of its subsidiaries to another entity in respect of any indebtedness of any such person, at any time since the commencement of the most recently completed financial year of the Corporation.

Nor is management aware of any other indebtedness (other than routine indebtedness) presently outstanding of any current or former director, executive officer or employee of the Corporation or any of its subsidiaries, to the Corporation or any of its subsidiaries, or of any guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Corporation or any of its subsidiaries to another entity in respect of any indebtedness of any such person.

Management Contracts

There are no management functions of the Corporation or any of its subsidiaries that are performed to a substantial degree other than by the directors or executive officers of the Corporation or its subsidiaries.

Interests of Informed Persons in Material Transactions

Other than as described in the following paragraphs, management of the Corporation is not aware of any material interest, direct or indirect, of any director or executive officer of the Corporation or any of its subsidiaries, any person or company who beneficially owns, directly or indirectly, or who exercises control or direction over, more than 10% of the Shares, any director or executive officer of any such beneficial owner, any nominee for election as a director of the Corporation (being the same individuals as the current directors) or any associate or affiliate of any of the foregoing persons or companies, in any transaction since the commencement of the Corporation's last completed financial year or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries. Details of related party transactions are contained in the notes to the Corporation's Audited Financial Statements for the year ended December 31, 2006.

On December 1, 2006, the Corporation acquired (the "Acquisition") all of the issued and outstanding shares (the "Transco Shares") of Transco Energy Services Ltd. ("Transco"), a theretofore privately held diversified energy services company with operations in British Columbia, Alberta, Saskatchewan and the Northwest Territories and a head office located at Calgary Place Tower II, Suite 2020, 355 – 4th Ave. S.W., Calgary, Alberta T2P 0J1. The final aggregate purchase price of the Acquisition totaled \$347.8 million subject to final closing adjustments, including adjustments for working capital and certain post closing vendor indemnities. In addition, on closing the Acquisition, \$110.2 million of Transco's debt was repaid by the Corporation.

Immediately prior to the Acquisition, SCF-V, L.P. held approximately 66.3% of the issued and outstanding Transco Shares and SCF-IV, L.P. held approximately 24.8% of the issued and outstanding Shares. At such time, SCF-IV, L.P. and SCF-V, L.P. were, and are at present, under common control. At such time, Mr. Geddes (i) was a director of Transco, (ii) was, and is at present, a director of the Corporation and (iii) was, and is at present, a Managing Director of SCF Partners, an entity that controls, directly or indirectly, SCF-IV, L.P. and SCF-V, L.P. SCF-IV, L.P. and SCF-V, L.P. each have an office located at 600 Travis St., Suite 6600, Houston, Texas 77002, USA.

SCF-V, L.P. received the same per-share consideration as the other Transco security holders in relation to the Acquisition, and accordingly received total consideration of approximately \$220.7 million, comprised of \$144.7 million in cash and 1,245,568 Shares, which 1,245,568 Shares had an aggregate market value of \$76.0 million based on the closing price of the Shares on the TSX on December 1, 2006, the closing date of the Acquisition. In addition, the Corporation caused Transco to repay to SCF-V, L.P. at the closing of the Acquisition, shareholder loans made by SCF-V, L.P. to Transco in the principal amount of \$24.1 million, by way of set-off of the exercise price, in the amount \$24.1 million, of certain warrants held by SCF-V, L.P. which entitled it to purchase Transco Shares. The Corporation also caused Transco to repay to SCF-V, L.P. in cash at such closing, interest on such principal amount in the amount of \$4.1 million.

For more information regarding the Acquisition, refer to the Business Acquisition Report of the Corporation dated February 13, 2007, which has been filed on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Interests of Certain Persons and Companies in Matters to be Acted Upon

Management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's last financial year, any nominee for election as a director of the Corporation at the Meeting or any known associate or affiliate of any of the foregoing persons, in any matter to be acted upon at the Meeting other than the election of directors or the appointment of the auditor.

Corporate Governance

General

The Board is responsible for the business affairs of the Corporation and the adoption of long-term goals and strategies. The Board discharges its responsibilities directly and through its committees. At each meeting, the Board receives management and committee reports on the Corporation's operations and all other developments and issues of current relevance. All material transactions outside the Corporation's ordinary course of business are submitted to the Board for consideration and approval prior to implementation.

In developing its approach to corporate governance, the Board and management of the Corporation believe that sound corporate governance practices are essential to the efficient and effective performance of the Corporation.

Disclosure of Corporate Governance Practices

Details of the Corporation's corporate governance policies and practices and the responsibilities of the Board are addressed below.

The information provided in this Information Circular complies with the disclosure requirements of National Instrument 58-101, *Disclosure of Corporate Governance Practices*, of the Canadian Securities Administrators and includes an analysis of the Corporation's corporate governance practices against the corporate governance guidelines (the "Guidelines") included in National Policy 58-201, *Corporate Governance Guidelines*, of the Canadian Securities Administrators.

The Corporation's approach to corporate governance closely aligns with the Guidelines. The Corporation remains committed to attaining high standards of corporate governance and reviews its practices and compliance against the Guidelines regularly to ensure their appropriateness.

Board of Directors

Majority of Independent Directors (Guideline 3.1)

The Board currently consists of nine members, six of whom qualify as independent directors. Accordingly, the Board consists of a majority of independent directors. The Guidelines define an "independent director" as a director who has no direct or indirect material relationship with the company, being a relationship that could, in the view of the board of directors of the company, be reasonably expected to interfere with the exercise of his or her independent judgment.

Messrs. Geddes, O'Connor, Bates, Swanson, Reid, and Annable are independent directors of the Corporation pursuant to this definition. Mr. Lingard, as President and CEO of the Corporation, Mr. Butlin, who retired as President and CEO of the Corporation on January 17, 2005, and Mr. Freeman, Chief Financial Officer and Corporate Secretary of the Corporation, are non-independent directors. The Board is of the view that this level of representation on the Board is appropriate in the circumstances.

If the resolutions proposed in this Information Circular with respect to the election of directors are passed, then following the Meeting, the Board will consist of nine members, six of whom will qualify as independent directors.

The following directors of the Corporation are presently directors of other issuers that are reporting issuers (or the equivalent in a foreign jurisdiction):

| Name of Director | Names of Other Reporting Issuers |
|-------------------------|---|
| Lyle Reid | FairWest Energy Corporation |
| C. Douglas Annable | Birch Mountain Resources Ltd. |
| T.D. (Terry) Freeman | Rentcash Inc. |

Independent Chair (Guideline 3.2)

The Chairman of the Board, Mr. Geddes, is an independent director. As Chairman, Mr. Geddes chairs meetings of the directors and of the Shareholders, manages the affairs of and provides leadership for the Board, provides a link between management and the Board and between the Board and the Shareholders, monitors that the committees of the Board are working effectively, ensures that the Board's agenda enables it to successfully carry out its duties and monitors whether the Board is receiving timely information of appropriate quality, before, during and after Board meetings.

Meetings of Independent Directors (Guideline 3.3)

The independent directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. However, Board meetings are characterized by a candid and open atmosphere in which the independent directors are encouraged to make the fullest possible contribution to the Board's deliberations. In addition, the independent directors have the discretion to meet or to otherwise confer in the absence of the non-independent directors or members of the Corporation's management, whenever they believe it is appropriate to do so.

Attendance at each meeting of the Board and committee of the Board during the financial year ended December 31, 2006 was as follows:

| | Members | Attendance |
|--|---------------------|------------------------|
| Board: | John Geddes | ⁽¹⁾ 9 of 12 |
| | Brian Butlin | 11 of 12 |
| | Stuart O'Connor | 12 of 12 |
| | John Bates | 12 of 12 |
| | Lyle Reid | 11 of 12 |
| | W.J. (Bill) Lingard | 12 of 12 |
| | Douglas E. Swanson | 11 of 12 |
| Audit Committee: | Stuart O'Connor | 8 of 8 |
| | John Bates | 8 of 8 |
| | Lyle Reid | 8 of 8 |
| Corporate Governance and Compensation Committee: | John Geddes | 4 of 4 |
| | Brian Butlin | 4 of 4 |
| | Douglas E. Swanson | 4 of 4 |

Note:

1. Due to a conflict of interest, which he declared, Mr. Geddes did not attend the three meetings of the Board concerning the acquisition of Transco Energy Services Ltd.

Board Mandate (Guideline 3.4)

While the Board has not adopted a written mandate, the Board recognizes and acknowledges that it is responsible for the stewardship of the Corporation and, as part of this overall stewardship responsibility, has ultimate responsibility for corporate governance, including:

- (a) to the extent feasible, satisfying itself as to the integrity of the CEO and other officers of the Corporation and that the CEO and other executive officers create a culture of integrity throughout the Corporation;
- (b) adoption of a strategic planning process, including approval, on at least an annual basis, of a strategic plan, which takes into account, among other things, the opportunities and risks for the business;
- (c) the identification of the principal risks of the corporation's business and ensuring the implementation of appropriate systems to manage these risks;
- (d) succession planning, including appointing, training and monitoring senior management;

- (e) adopting a communications policy for the Corporation;
- (f) the integrity of the corporation's internal control and management information systems; and
- (g) developing the Corporation's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the Corporation.

In addition, the Board also acts in accordance with:

- a) the *Business Corporations Act* (Alberta);
- b) the Corporation's Articles and Bylaws;
- c) the Corporation's Code of Ethics;
- d) charters or terms of reference of the committees of the Board; and
- e) other applicable laws and policies of the Corporation.

The Board has two standing committees, being the Audit Committee and the CG&C Committee, and has delegated certain of its responsibilities to those committees. For more information regarding the Audit Committee and its role and responsibilities, refer to "Audit Committee Information" in the Corporation's most recent Annual Information Form, as well as the Audit Committee Charter attached to the Annual Information Form.

With respect to the Board's responsibility for developing the Corporation's approach to corporate governance as noted in clause (g) above, the Corporation has delegated that responsibility, among others, to the CG&C Committee. As stated above under "Statement of Executive Compensation—Composition of Corporate Governance and Compensation Committee", the CG&C Committee currently consists of three members, two of whom qualify as independent directors. Accordingly, the CG&C Committee consists of a majority of independent directors. Because the Board has six independent directors, three of whom must sit on the Audit Committee, and because the terms of reference of the CG&C Committee require it to have a minimum of three members, the Board considers the present composition of the CG&C Committee to be the most practicable and effective under the circumstances.

The CG&C Committee has as its corporate governance mandate responsibility for developing the approach of the Board in establishing corporate governance guidelines and practices for the Corporation and, from time to time, reviews and make recommendations to the Board as to such matters. Specifically, the CG&C Committee has the authority and responsibility for:

- (a) considering the size and membership needs of the Board and its committees and making recommendations in respect thereof (including recommending nominees) and reviewing from time to time the composition of the Board and its committees and, when considered appropriate, making recommendations to the Board with respect to the composition of the Board and its committees;
- (b) assessing annually the effectiveness of both the Board as a whole and of each of the committees of the Board and the contribution and performance of individual directors and reporting to the Board and making such recommendations in that regard as the CG&C Committee may consider appropriate;

- (c) identifying, evaluating and, if appropriate, recommending to the Board:
 - i. appropriate committees of the Board to be established and the terms of reference and mandates for each such committee; and
 - ii. the Chairman of each such committee of the Board;
- (d) annually reviewing the terms of reference and mandates of the Board committees and recommending to the Board such amendments to those terms of reference and mandates as the CG&C Committee believes are necessary or desirable;
- (e) reviewing and recommending for approval by the Board the descriptions contained in any public disclosure documents concerning governance matters in respect of compliance with applicable legislation, regulatory and/or stock exchange requirements and guidelines;
- (f) developing and reviewing from time to time an orientation and education program for new members of the Board;
- (g) developing, in consultation with the CEO, a position description for the CEO and the corporate objectives which the CEO is responsible for meeting, and in consultation with the CEO, developing position descriptions for officers, other than that of the CEO, to define their respective goals and responsibilities;
- (h) when necessary, making recommendations to the Board in respect of the recruitment of a new CEO and, in consultation with the CEO, the recruitment of new officers of the Corporation; and
- (i) considering and, if thought appropriate, approving requests from directors or committees of the Board for the engagement of outside advisors from time to time.

The Board met twelve times in 2006 to review business objectives and strategic initiatives, to assist management in meeting the Corporation's stated objectives, to review financial statements and to address other issues and opportunities throughout the year as they arose.

The Corporation's strategic planning process involves the setting of long-term growth targets and the adoption of strategies to achieve such targets. Senior management incorporates these objectives into a one-year operating and a capital budget for each fiscal year. This plan is submitted to the Board for approval. The Corporation's actual results are measured against the plan on a monthly basis through a regular reporting and review process by management. A detailed information package is forwarded to the Board prior to meetings, which includes current financial and operating information. Significant modifications to the plan are approved by the Board as required.

The Board is also provided with reports by senior management in respect of the systems used to manage the Corporation's business risks. The Board reviews these reports to determine whether current systems are adequate and have been properly adhered to by management. All material transactions outside the Corporation's ordinary course of business are submitted to the Board for consideration and approval prior to implementation.

The Board has ultimate responsibility for the succession planning, including appointment, training and monitoring of the Corporation's executive officers. The Corporation has adopted a formal Disclosure Policy, which explicitly deals, among other things, with who is authorized to speak on

behalf of the Corporation, the disclosure of material information and developments, maintenance of confidential information, electronic communications and restrictions on employee trading. The Corporation formally communicates with its Shareholders through its annual and quarterly reports, media releases and statutory filings. Senior management is available on an ongoing basis to discuss the Corporation's activities and results with its Shareholders and the financial community, and the Board is advised of concerns received from the Shareholders.

The Audit Committee has established direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate and meets with the CFO and external auditor to assess the integrity and effectiveness of internal control and management information systems. It has also established a whistle blowing procedure that allows employees to contact the Audit Committee directly and anonymously.

Position Descriptions (Guideline 3.5)

The Board has ultimate responsibility for the appointment and monitoring of the Corporation's executive officers.

The Board, in conjunction with the CEO, has delineated responsibilities for the Board and developed a written position description for the CEO, which includes a delineation of management's responsibilities. The Board has approved the corporate objectives, which have been developed through the Corporation's strategic planning process, for which the CEO is responsible for meeting. The Board has not developed written position descriptions for the Chairman of the Board or the Chairmen of the committees of the Board. However, the role and responsibilities of the Chairman of the Board are informed and guided by the factors identified under the heading "Board Mandate" above in this section, and the roles and responsibilities of the Chairmen of the committees of the Board are informed and guided by the charter or terms of reference, as the case may be, of the committee in question.

Orientation and Continuing Education (Guidelines 3.6 and 3.7)

The CG&C Committee is responsible for the orientation and continuing education of the Board, its committees and individual directors, on an ongoing basis.

Under the direction of the CG&C Committee, all new directors receive a comprehensive orientation upon their election or appointment, which includes an overview of the Corporation's history, corporate structure and principal business activities and assets, the roles and responsibilities of the Board and the committees of the Board and the contributions expected of the directors, including time commitments. Each new director also receives a package containing copies of the Articles and Bylaws of the Corporation, the Code of Ethics and statement of core values referred to in the section below and the charter or terms of reference, as the case may be, of the committees of the Board.

The CG&C Committee provides and supports continuing education opportunities for all directors, both as a group and individually. For example, the CG&C Committee arranges for periodic guest seminars by experts in fields such as legal, insurance, tax, regulatory and risk management to educate the directors on new developments in those areas. The CG&C Committee also encourages directors to pursue individual continuing education through attendance at industry and professional conferences, seminars and courses.

Code of Business Conduct and Ethics (Guidelines 3.8 and 3.9)

The Corporation has adopted a Code of Ethics (the "Code") applicable to all employees of the Corporation and its subsidiaries. Consistent with the Corporation's commitment to operate with the

highest ethical standards, promote integrity and deter wrongdoing, the stated purpose of the Code is to ensure that all employees have a clear understanding of the Corporation's expectations regarding their conduct and decision-making in the context of their role with the Corporation and to provide them with a clear understanding of what steps to take in the event that they witness unethical behavior or are faced with making a decision that may not be in alignment with the Corporation's core values.

The Code addresses such matters as confidentiality of corporate information, conflicts of interest, dealing with competitors, employees conducting business with the Corporation, use of corporate property, gifts and hospitality, discrimination and harassment and reporting of illegal or unethical behaviour or practices in the conduct of the Corporation's financial affairs and reporting of other concerns.

All new employees are advised of the Code at the time of hiring and all employees are advised of amendments to the Code as they occur. Certain employees are required to acknowledge in writing annually that they have received and read a copy of the Code. Any employee may obtain a copy of the Code upon request to the Human Resources department. In addition, a copy of the Code has been filed on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Pursuant to the Code, the Corporation has instituted a "whistleblower" procedure so that an employee can anonymously report concerns that he or she may have regarding any perceived illegal or unethical behaviour or practices in the conduct of the Corporation's financial affairs. To ensure the highest possible level of integrity and objectivity in investigating such concerns, the Corporation has instituted an independent review process for such reports. The Corporation has established an anonymous toll-free "whistleblower hotline" as well as the ability to send anonymous e-mails directly to the Audit Committee. The e-mail site is managed by an outside third party and can be accessed through a link on the Corporation's corporate intranet and the internet.

In addition to the requirements of the Code, the Board insists that the provisions of the *Business Corporations Act* (Alberta) and the Corporation's Bylaws be followed with respect to the disclosure of actual or potential material conflicts of interest that may exist in considering contracts and transactions. Except as provided in such Act, no director with any such interest may vote on any resolution to approve the contract or transaction in question.

Nomination of Directors (Guidelines 3.10 to 3.14)

The CG&C Committee is responsible for nominating individuals as directors. The CG&C Committee has written terms of reference that provide, among other things, that the CG&C Committee has the authority and responsibility for considering the size and membership needs of the Board and its committees and making recommendations to the Board in respect thereof, including recommending nominees.

The CG&C Committee works with the Board to determine the competencies and skills the Board considers necessary for the Board as a whole to possess, as well as the range of skills that individual directors should possess. The CG&C Committee then identifies potential Board members from diverse professional and personal backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. This assessment includes a consideration of diversity, age, skills, competencies and experience in the context of the needs of the Board, as well as whether the candidate can devote sufficient time and resources to his or her duties as a director. The CG&C Committee makes recommendations to the Board with respect to nominees

for election at the next annual meeting of shareholders or to be appointed to fill vacancies between annual meetings of the shareholders, and approaches nominees to ascertain their willingness to serve as a member of the Board.

As noted above under the heading "Board Mandate (Guideline 3.4)", the CG&C Committee currently consists of three members, two of whom qualify as independent directors. Accordingly, the CG&C Committee consists of a majority of independent directors. Although not all of the members of the CG&C Committee are independent directors, the CG&C Committee is able to achieve an objective nomination process through adherence to its terms of reference and the nomination process referred to in the preceding paragraph and through a culture whereby all directors, whether independent or non-independent, are encouraged to make the fullest possible contribution to the deliberations and functions of the Board and its committees.

Compensation (Guidelines 3.15 to 3.17)

Pursuant to its written terms of reference, the CG&C Committee has responsibility for developing the approach of the Board in establishing and implementing appropriate compensation and human resource strategies, policies and practices that will attract, motivate and retain the quality of personnel required to meet the business objectives of the Corporation. Specifically, this includes the authority and responsibility for reviewing and recommending remuneration strategies for the Corporation, with particular emphasis on the senior officers and members of the Board.

In carrying out these responsibilities, the CG&C Committee annually reviews the adequacy and form of the compensation of the Corporation's directors and officers, including stock option parameters and allocations and other benefits, to ensure that the compensation paid reflects the responsibilities and risk involved in being an effective director or officer. The CG&C Committee establishes and recommends the compensation levels of the directors and the CEO and, through the CEO, that of the other senior officers. The recommendations of the CG&C Committee are submitted to the Board for ratification. The CG&C Committee has the authority to engage consultants or compensation specialists and to subscribe to publications in order to provide comparisons and analysis of compensation regimes in the marketplace and to ensure that the Corporation's overall compensation strategies and levels are competitive with those of its industry peer group.

As noted above under the heading "Board Mandate (Guideline 3.4)", the CG&C Committee currently consists of three members, two of whom qualify as independent directors. Accordingly, the CG&C Committee consists of a majority of independent directors. Although not all of the members of the CG&C Committee are independent directors, the CG&C Committee is able to achieve an objective process for determining compensation through adherence to its terms of reference and the process referred to in the preceding paragraph and through a culture whereby all directors, whether independent or non-independent, are encouraged to make the fullest possible contribution to the deliberations and functions of the Board and its committees.

Board, Committee and Director Assessments (Guideline 3.18)

Pursuant to its written terms of reference, the CG&C Committee has the authority and responsibility for assessing annually the effectiveness of the Board as a whole, its committees and individual directors, for reporting its findings to the Board and for making such recommendations to the Board in that regard as the CG&C Committee considers appropriate. In this regard, the Chair of the CG&C Committee meets individually with each director at least annually to review the director's performance, both as a member of the Board and as a member of a committee of the

Board, as applicable. Each such assessment considers the competencies and skills each individual director is expected to bring to the Board and, in the context of the Board as a whole and the Board committee the director serves on, if applicable, its mandate, charter or terms of reference.

Other Board Committees

The Board has no standing committees other than the Audit Committee and the CG&C Committee. The Board believes that, having regard to its size and composition at this time, the appointment of any other committee would not lead to more effective or responsible decision-making.

Additional Information

Additional information relating to the Corporation is available on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. Financial information concerning the Corporation is provided in the Corporation's audited financial statements and related management's discussion and analysis ("MD&A") for its most recently completed financial year.

The Corporation will provide to any person or company, upon written request to the investor relations personnel of the Corporation, a copy of the latest Annual Information Form of the Corporation, together with a copy of any document or the pertinent pages of any document incorporated by reference therein, annual financial statements and related MD&A of the Corporation for its most recently completed financial year, interim financial statements and related MD&A of the Corporation for subsequent periods and this Information Circular.

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