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For Immediate Release

Xtreme Operations Update and 2007 First Quarter Results

Calgary, Alberta (TSX: "XDC") May 10, 2007 – Xtreme Coil Drilling Corp. ("Xtreme", the "company") provides an operations update and announces financial results for the three months ended March 31, 2007 ("1Q 2007").

Current Operations

Since the end of 1Q 2007, Xtreme has continued to achieve important milestones that augment the early operational success we experienced in 2006, our start-up year. In April, we commissioned and deployed our first XTC 400 coiled tubing drilling rig to Colorado to operate under long-term contract for a major exploration and production company.

Currently, we have five drilling rigs operational and 13 rigs in various stages of construction. With road bans abating, we are now moving one of our first XTC 200ST drilling rigs to southern Alberta for a multi-well project. By the end of May 2007, we plan to commission and deploy our newest XTC 200DT to Colorado for a multi-year project. In late June and in late July, we plan to commission and deploy our next two new XTC 400 rigs. Both are committed to multi-year projects in the Rocky Mountain region of the United States.

On April 25, 2007, the board of directors appointed Kyle Swingle to Chief Operating Officer. Mr. Swingle is a founder and director of Xtreme and, with this appointment, assumes responsibility for all of Xtreme's operating divisions in the United States and Canada.

Recently, Xtreme established Xtreme Oilfield Trucking, Inc., an oilfield trucking subsidiary based in Cheyenne, Wyoming, to transport Xtreme's Coil Over Top Drive™ rigs and related equipment and to contract oilfield trucking services to other companies.

2007 First Quarter Highlights

- drilled world record well in the Colorado DJ basin with 3-1/2 inch coiled tubing using rotary steerable tool;
- granted first two patents by United States Patent and Trademark Office; 37 patent applications are currently under review in the United States, Canada and other jurisdictions;
- completed \$56.3 million private placement financing;
- announced 2007 capital program of \$95 million;
- increased 2007 rig build program to add four more XTC 400 drilling rigs and expect Xtreme's fleet to total 18 rigs early in 2008;
- achieved 235 operating days compared to 163 operating days during 4Q 2006 and a total of 216 operating days during our 2006 start-up year.

<i>(\$ thousand except where indicated)</i>	31 Mar 2007	31 Mar 2006
Revenue	4,789	–
Net loss	517	272
Net loss per share (\$)	0.02	0.01
Capital assets	111,908	24,545
Operating days	235	–
Rig utilization	65%	–

Management’s Discussion and Analysis (“MD&A”) For the three months ended March 31, 2007

Management for Xtreme Coil Drilling Corp. (“Xtreme”, the “company”, “we”, “our”) has based this MD&A on the operating and financial results for the three months ended March 31, 2007 (“1Q 2007”) and management’s outlook is based on information available as at May 9, 2007. Because Xtreme’s operations did not commence until July 2006, for this MD&A and where available, Xtreme has provided comparative data for the three months ended December 31, 2006.

Management recommends reading this MD&A in conjunction with Xtreme’s audited annual consolidated financial statements and related notes and the MD&A for the year ended December 31, 2006. We have prepared the consolidated financial statements in accordance with Canadian generally accepted accounting principles (“GAAP”) and expressed all amounts in Canadian dollars unless otherwise stated.

Forward-Looking Statements

Except for historical financial information contained herein, matters discussed in this report may be considered forward-looking statements. Such statements include declarations regarding management’s intent, belief and current expectations. Management cautions prospective investors that any such forward-looking statements are not a guarantee of future performance and involve a number of risks and uncertainties. Actual results could differ materially from those indicated by such forward-looking statements. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are: (i) the preliminary nature of the information which may be subject to further adjustment; (ii) the risks related to uncertainty inherent in the oil and natural gas industry; (iii) the impact of commodity price fluctuations; (iv) start-up risks; (v) general operating risks; (vi) dependence on third parties; (vii) changes in government regulation; (viii) the effect of competition; (ix) dependence on senior management; and, (x) fluctuations in currency exchange rates and interest rates.

Description of the Business

Xtreme is a drilling contractor using Coil Over Top Drive™ drilling rigs which employ new patented and patent-pending coil designs and technologies. In addition to their coil capabilities, these drilling rigs can drill with conventional jointed drill pipe. Xtreme is currently building drilling rigs under contract with several third parties. Upon completion of the coiled tubing drilling rigs, we contract out Xtreme’s drilling rigs to oil and natural gas exploration and production (“E&P”) companies. Xtreme’s activities currently focus on both the United States and western Canada, with the majority of our operations planned for the United States.

Xtreme’s corporate and head office is in Calgary, Alberta. Xtreme’s United States field office is in Casper, Wyoming and we are in the process of establishing a sales office in Denver, Colorado. We are also in the process of establishing oilfield trucking operations through a field office based in Cheyenne, Wyoming. This wholly owned subsidiary will contract to transport Xtreme’s coil drilling rigs and, subject to availability, will also contract its services to other companies.

In 1Q 2007, the United States Patent and Trademark Office issued two patents to Xtreme and we currently have 37 patent applications pending in the United States, Canada and other jurisdictions. Xtreme undertakes patent applications for new coiled tubing technology relating to equipment and methods for coiled tubing drilling to depths of 3,000 meters and greater. As we develop new equipment and processes, we may make further patent applications.

Equipment Under Construction

Xtreme has designed five different models of coiled tubing drilling rigs. Currently, we have plans to complete eighteen drilling rigs, with at least fourteen planned for operations by 2007 year-end and the remainder ready for deployment during 1Q 2008. At March 31, 2007, we had four rigs completed and ready for field operations. We completed a fifth rig in April 2007, expect to complete two additional rigs during the 2Q 2007 and, throughout the remainder of 2007, have eleven more drilling rigs in various stages of construction.

Unforeseen delays in numerous key components significantly slowed our initial build-out plans. The robust economic environment in Alberta during most of 2006 resulted in demand beyond the capability of many Alberta equipment manufacturers. There are indications that additional manufacturing capacity will become available as softening Canadian oilfield activity has led a number of oilfield service companies to reduce their capital expansion programs. We plan to take advantage of this opportunity to expand Xtreme's fleet of coiled tubing drilling rigs. We believe that Xtreme's coiled tubing drilling rigs will prove more efficient and economical for our customers to contract than conventional drilling rigs. Consequently, we are continuing to expand our fleet even while other drilling contractors are tempering their expansion plans.

Xtreme's efforts focus on timely delivery of our drilling rig components. These efforts include obtaining a number of components outside of Alberta, as well as sourcing components from multiple suppliers, to achieve simultaneous production of certain required components with the objective of accelerating delivery of Xtreme's next rigs. Once third party suppliers provide the outstanding components, Xtreme completes assembly with the remaining components and, finally, fully rigs-up and commissions each drilling rig prior to deployment for field operations.

Initially, we expected 70 to 80 percent of Xtreme's drilling rig fleet would work in the United States. Current market conditions suggest that the proportion of Xtreme's rigs working in the United States may be higher.

Selected Quarterly Financial Information

<i>(unaudited)</i>	Three months ended							
	31 Mar 2007	31 Dec 2006	30 Sep 2006	30 Jun 2006	31 Mar 2006	31 Dec 2005	30 Sep 2005	30 Jun 2005
Revenue	4,789	3,620	1,197	-	-	-	-	-
Net loss	517	781	426	334	272	3,078	209	76
Net loss per share	0.02	0.03	0.02	0.01	0.01	0.22	0.02	0.22
Capital assets	111,908	88,511	64,275	39,804	24,545	13,528	5,988	-
Total assets	168,612	117,735	101,169	98,766	94,052	41,605	39,854	11,453
Operating days ⁽¹⁾	235	163	53	-	-	-	-	-
Rig utilization ⁽¹⁾	65%	79%	83%	-	-	-	-	-
Weighted average rigs in service	4.0	2.3	0.7	-	-	-	-	-
Completed rigs, end of quarter	4	4	1	-	-	-	-	-

⁽¹⁾ Management cautions readers that 'operating days' does not have a standardized meaning. Xtreme's method of calculating operating days may differ from other companies and may not be comparable to measures used by other companies. Operating days represent the total of all drilling, moving, standby and other revenue days in the period. We calculate rig utilization as operating days divided by total days available.

Seasonality of Operations

Drilling operations in most of Canada are subject to seasonal weather conditions that restrict drilling operations. Particularly in the Canadian north, movement of heavy equipment depends on the ground freezing in order to support the equipment. As the ground thaws in the spring, road bans are placed on

many roads which prevents heavy equipment from moving until the ground is dry enough to support the equipment. This is commonly called "spring break-up". The timing and duration of freezing and spring break-up can affect our activity levels and operating results.

In the areas of the United States where we currently work, drilling operations are less subject to weather constraints but may be restricted for other reasons. Some areas are subject to stipulations on leases which prevent drilling activity during certain periods during which authorities prioritize wildlife or habitat protection. These restrictions may also affect our activity levels and operating results.

Results of Operations

Xtreme's four rigs achieved 235 operating days (4Q 2006 – 163), representing 65 percent utilization for the rigs for 1Q 2007 (4Q 2006 – 79 percent). Total revenue for 1Q 2007 was \$4,789,000 (4Q 2006 – \$3,620,000), which equates to \$20,400 per operating day (4Q 2006 – \$22,200). For the month of March, one rig operated at a reduced rate during crew training, thereby reducing the overall average revenue per operating day.

Rig #3, currently our only Canadian-based rig, commenced operations at the beginning of January in northern Alberta. Rig #3 worked continually through early March, until spring break-up began, achieving a 71 percent utilization rate for 1Q 2007. After lifting of spring road bans, we expect to resume operations on a multi-well project in southern Alberta.

Two of our three United States-based rigs experienced some unanticipated downtime during transitions between customers. During 1Q 2007 these rigs achieved a 63 percent utilization rate. At March 31, 2007, all three rigs were operating.

Operating costs for 1Q 2007 increased to \$4,144,000 (4Q 2006 - \$3,306,000) as operating days increased. On a per-operating day basis, operating costs decreased to \$17,600 (4Q 2006 - \$20,300) during the quarter as fixed operating cost items were spread over a larger volume of activity. We incurred labour costs to train and retain crews during the period of downtime while transitioning between customers. We also incurred a variety of repair costs in the field associated with developing the capabilities of our equipment as we expanded our knowledge base and technical capability to address our customers' drilling programs.

Gross margin for 1Q 2007 was \$645,000 (4Q 2006 – \$314,000) or 13 percent of revenue (4Q 2006 – 9 percent). The rig utilized for training during the month of March contributed lower margin than rigs operating at full revenue rates.

We are marketing Xtreme drilling rigs in the United States and Canada and seeking long-term contracts for the majority of our fleet. Xtreme has long-term contracts for six rigs with two major E&P companies in the United States. Contract negotiations with other E&P companies are ongoing. The total number of employees in all areas of Xtreme for the three months ended March 31, 2007 was approximately 120, unchanged from 4Q 2006.

Selling, General and Administration Expense ("SG&A")

SG&A for the three months ended March 31, 2007 was \$1,101,000 (4Q 2006 - \$1,210,000) as a result of lower costs for legal and other professional services. During 1Q 2007, a third party trucking company caused significant damage to a component of one of our drilling rigs. Xtreme recorded an expense provision of \$100,000 for costs potentially not recoverable.

Depreciation and Amortization

Depreciation and amortization for the three months ended March 31, 2007 increased to \$433,000 (4Q 2006 - \$328,000). Amortization of intangibles increased from recognition of \$2,990,000 related to Series 2 Performance Warrants that vested upon issuance of patents during 1Q 2007. Because our depreciation methodology for drilling rigs is unit-of-production, depreciation increased in proportion to the increased field operating activity.

Stock-based Compensation

Stock-based compensation for the three months ended March 31, 2007 decreased to \$129,000 (4Q 2006 - \$144,000). This decrease is the result of capitalizing a portion of stock-based compensation for stock option holders who are working on construction of our drilling rigs.

Foreign Exchange

Xtreme realized a foreign exchange gain for the three months ended March 31, 2007 of \$20,000 (4Q 2006 - \$45,000 gain). These foreign exchange gains resulted from translation on Xtreme's United States dollar cash and current monetary balances. In particular, most of 1Q 2007 gain resulted from the reduction of the United States dollar on payables owed in United States dollars. As Xtreme's operations grow and mature, we expect to generate the majority of cash flow in United States funds, while the majority of cash requirements for continuing our drilling rig construction could require settlement in Canadian funds.

Interest Expense

Interest expense for the three months ended March 31, 2007 was \$47,000 (4Q 2006 - \$49,000). The major component of this cost was the standby fee of 0.35 percent on Xtreme's \$50 million revolving credit facility. Interest charges for field vehicles under capital leases are also included in this category.

Interest Income

Interest income for the three months ended March 31, 2007 was \$301,000 (4Q 2006 - \$219,000). This resulted from investment of temporary surplus cash available while we are completing the build-out of Xtreme's initial fleet of coiled tubing drilling rigs. Interest income increased because of additional cash raised when Xtreme completed a private placement financing during 1Q 2007.

Income Taxes

During the three months ended March 31, 2007, Xtreme recorded a future income tax recovery of \$227,000 (4Q 2006 - \$364,000). The decreased recovery provision is primarily the result of a smaller loss.

Net Loss

The net loss for the three months ended March 31, 2007 was \$517,000 (4Q 2006 - \$781,000). This decreased loss was the net result of additional revenue and gross margin related to the operation of the four rigs during 1Q 2007.

Financial Condition, Liquidity and Capital Resources

At March 31, 2007 Xtreme had cash balances of \$39.8 million (4Q 2006 - \$16.7 million), an increase of \$23.1 million. Similarly, working capital increased to \$39.4 million (4Q 2006 - \$10.6 million). During the quarter Xtreme raised \$56.3 million through a private placement financing (4Q 2006 - \$10.3 million) and invested \$23.8 million in fixed assets (4Q 2006 - \$24.5 million), primarily for continued construction of drilling rigs. We estimate the total cost of the first eighteen drilling rigs in our program at approximately \$190 million. At March 31, 2007, Xtreme had incurred costs of approximately \$110 million on deposits and progress payments, leaving costs to complete of approximately \$80 million. On a cash basis, management expects that funds on hand, together with existing debt facilities, will be sufficient to complete the first eighteen drilling rigs as well as to fund related ongoing operating requirements.

During the three months ended March 31, 2007 Xtreme closed a private placement of 5,360,000 shares at \$10.50 per share for gross proceeds of \$56.3 million. Net proceeds of the issuance, after underwriting fees and expenses, were \$52.8 million. The income tax impact of the underwriting fees and expenses resulted in an increase of \$1.0 million to Xtreme's future tax asset.

Xtreme maintains a \$50.0 million revolving debt facility with a Canadian financial institution for construction of equipment, as well as a \$5.0 million operating line that accounts receivable will support. During 1Q 2007, the revolving debt facility was renewed for an additional 364 days under substantially the same terms and conditions. Presently, Xtreme has drawn no amounts on these facilities and, other than capital leases for field vehicles, Xtreme has no other long-term debt.

Outstanding Common Shares

As at March 31, 2007, Xtreme had 33,750,292 common shares outstanding. On February 15, 2007, Xtreme issued 5,360,000 common shares as a result of a private placement. In March 2007, Xtreme issued 666,667 common shares on the exercise of Series 2 Performance Warrants.

As at March 31, 2007, there were outstanding 2,113,000 options to purchase common shares at a weighted average exercise price of \$4.20 per share. In addition, 6,316 agent options were outstanding at an exercise price of \$4.50 per share. All of the agent options became exercisable when issued. Xtreme also has outstanding 333,333 Series 1 and 333,333 Series 2 Performance Warrants. Each performance warrant is fully exercisable and entitles the holder to purchase one common share at a strike price of \$0.01 per common share. Additionally, Xtreme has 2,092,574 other warrants outstanding. These warrants have an exercise price of \$16.00 and become exercisable when the warrant holder contracts a specific number of rigs. The aggregate effect of the stock options, agent options, performance warrants and other warrants would increase Xtreme's shares outstanding by 4,878,556.

Share capital on May 9, 2007 was \$161.8 million (33,750,292 shares). The aggregate effect of adding the above described options and warrants would increase Xtreme's outstanding shares to 38,628,848.

Critical Accounting Estimates

Note 2 in the annual consolidated financial statements as at December 31, 2006 describes Xtreme's significant accounting policies for 2007.

Changes in Accounting Policies

Xtreme adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, *Comprehensive Income*; Section 3855 *Financial Instruments – Recognition and Measurement*; Section 3861, *Financial Instruments – Presentation and Disclosure* on January 1, 2007.

Comprehensive Income

The new standards introduce comprehensive income which consists of net earnings and other comprehensive income ("OCI"). Xtreme's Consolidated Financial Statements now include a Consolidated Statement of Operations, Comprehensive Loss and Deficit, which includes the components of comprehensive income. Currently, Xtreme has no material entries which comprise OCI.

Financial Instruments

The financial instruments standard establishes the recognition and measurement criteria for financial assets, liabilities and derivatives. The standard requires measurement of all financial instruments at fair value on the initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instruments has been classified as "held-for-trading", "available-for-sale", "held-to-maturity", "loans and receivables" or "other financial liabilities" as defined by the standard.

Financial assets and financial liabilities "held-for-trading" are measured at fair value with the changes in those fair values recognized in net earnings. Financial assets "available-for-sale" are measured at fair value with the changes in those fair values recognized in OCI. Financial assets "held-to-maturity", "loans and receivables" or "other financial liabilities" are measured at amortized cost using the effective interest method of amortization. There is no change in the methods used by Xtreme to determine fair value of financial instruments as a result of implementing the new standard.

Cash and cash equivalent are designated as "held-for-trading" and are measured at carrying value which approximates fair value due to the short-term nature of these instruments. Accounts receivable and accrued revenue are designated as "loans and receivables". Accounts payables and accrued liabilities are designated as "other liabilities".

Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of Xtreme's disclosure controls and procedures as at March 31, 2007. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as at March 31, 2007 in providing reasonable assurance that material information relating to Xtreme, including its consolidated subsidiaries, would be made known to them.

Internal Control over Financial Reporting

During the three months ended March 31, 2007, there have been no changes in Xtreme's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

Business Risks and Uncertainties

A number of risks and uncertainties affect Xtreme's operations. Although Xtreme can take actions to mitigate some of these risks, mitigation of many risks is beyond our control. The risks discussed in this section are not an exhaustive list of all possible risks.

As a start-up business with significant assets under construction and an aggressive equipment building program, Xtreme is dependent upon suppliers to deliver components on schedule and to meet necessary quality standards. Failure of our suppliers to deliver or interruption of delivery in any aspect of our building program could severely affect Xtreme's ability to expand operations as planned, to deliver drilling services and to retain customers.

In addition, demand for Xtreme's coiled tubing drilling services is largely dependent on the level of oil and natural gas industry activity in North America. Numerous factors over which Xtreme has no control influence industry activity, including, but not limited to, changes in crude oil and natural gas prices, government legislation, regulatory and economic conditions, global political and military events, international trade barriers or disputes, and fuel and environmental conservation.

Commodity prices directly affect our customers' generation of cash which affects the demand for our services. Xtreme's equipment currently delivers drilling services to for a small number of customers. Most of Xtreme's work has been for large, well-established E&P companies which concentrates our credit risk within a small group.

In addition to our other efforts to mitigate Xtreme's exposure to risk, we endeavour to maintain adequate coverage in terms of property and liability insurance for our assets and activities and thus limit our exposure to losses from unforeseen incidents.

Outlook

Xtreme's unique patented and patent-pending coiled tubing drilling rigs will drill to depths of up to 3,000 meters (approximately 10,000 feet) with coil and up to 4,100 meters (approximately 14,000 feet) with jointed drill pipe. Xtreme's drilling rigs will allow E&P companies to take advantage of cost savings as a result of the faster drilling times associated with coiled tubing. Xtreme's new designs will expand the depth range of current coiled tubing drilling technology. This will open up a larger segment of the drilling market to coiled tubing drilling in the United States and Canada.

All wells drilled by Xtreme to date have used one of our two smaller rig designs, the XTC 200ST or XTC 200DT, which are built to drill to approximately 2,400 meters (7,900 feet). The first rig of our largest design, the XTC 400, commenced field operations in May 2007, bringing our rig count to five. While waiting for delivery of our largest rig, certain customers have utilized our smaller rigs on an interim basis. In using our smaller rigs, these customers have often pressed the intended capability of Xtreme's equipment to drill deeper and perform certain other procedures normally planned for our larger rigs. As a result, we have achieved a number of early operational milestones and records, although not without some difficulties. However, we have made significant knowledge gains early in Xtreme's coiled tubing drilling rig operations. In the near term, we expect to continue to develop new procedures and processes as we move with our customers up the learning curve related to the capability of Xtreme's equipment.

Activity in Canada remains soft, causing downward pressure on contract drilling rates. According to rig count data published by Baker Hughes, activity levels in the Rocky Mountain States have maintained strength. However, we are also seeing evidence of downward pressure on contract drilling rates in this region. Xtreme's next three rigs, which will bring us to a total rig count of eight, are already under long-term contracts in the United States.

As Xtreme gains more operational experience and proves the capability of our coil drilling equipment, technologies and people, we expect to engage more E&P companies in contracts for our services. Xtreme is well positioned to capitalize on drilling activity in both Canada and the United States.

Management expects E&P companies with active drilling programs will continue to utilize Xtreme's unique patented and patent-pending coiled tubing drilling rigs.

Additional Information

Information relating to Xtreme is available on SEDAR at www.sedar.com. To obtain copies of published corporate information, contact Xtreme Coil Drilling Corp., 1402, 500 Fourth Avenue SW, Calgary, AB T2P 2V6 (telephone 403.262 9500), visit Xtreme's website www.xtremecoildrilling.com or e-mail ir@xtremecoil.com.

Xtreme Coil Drilling Corp.
Consolidated Balance Sheets

<i>(\$ thousand)</i>	31 Mar 2007 <i>(unaudited)</i>	31 Dec 2006
Assets		
Current assets		
Cash and cash equivalents	\$ 39,793	\$ 16,740
Accounts receivable	5,846	5,832
Prepaid expenses	1,706	1,774
Inventory	632	388
	47,977	24,734
Future income tax	3,764	2,506
Equipment <i>(note 4)</i>	111,908	88,511
Intangibles <i>(note 5)</i>	4,963	1,984
	\$ 168,612	\$ 117,735
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 8,455	\$ 14,069
Current portion of obligations under capital leases	78	77
	8,533	14,146
Long term liabilities		
Obligations under capital leases	119	139
	8,652	14,285
Shareholders' Equity		
Share capital <i>(note 6)</i>	161,790	105,913
Warrants <i>(note 6d)</i>	1,235	1,235
Contributed surplus <i>(note 6b)</i>	2,628	1,478
Deficit	(5,693)	(5,176)
	159,960	103,450
	\$ 168,612	\$ 117,735

Commitments *(note 7)*

See accompanying notes to the consolidated financial statements

On behalf of the board of directors,

Signed "Marc Staniloff"
Director

Signed "Richard R.A. Charron"
Chief Executive Officer

Xtreme Coil Drilling Corp.
Consolidated Statement of
Operations, Comprehensive Loss and Deficit

<i>(\$ thousand, except share and per share data)</i>	Three months ended Mar 31, 2007 <i>(unaudited)</i>	Three months ended Mar 31, 2006 <i>(unaudited)</i>
Sales	\$ 4,789	\$ —
Expenses		
Operating expenses	4,144	—
Selling, general and administrative	1,101	600
Depreciation of capital assets	393	40
Amortization of intangibles	40	25
Stock-based compensation	129	50
Foreign exchange (gain) loss	(20)	3
Interest on long-term debt and capital leases	47	—
Interest (income)	(301)	(337)
Loss before tax	(744)	(381)
Future tax recovery	227	109
Net loss for the period	(517)	(272)
Other comprehensive loss	—	—
Comprehensive loss	(517)	(272)
Deficit, beginning of period	(5,176)	(3,363)
Deficit, end of period	\$ (5,693)	(3,635)
Net loss per common share		
- basic and diluted	(0.02)	(0.01)
Weighted average number of common shares - basic	30,573,995	20,187,236
Weighted average number of common shares - diluted	32,558,013	23,165,807

See accompanying notes to the consolidated financial statements

Xtreme Coil Drilling Corp. Consolidated Statement of Cash Flows

<i>(\$ thousand)</i>	Three Months Ended Mar 31, 2007 <i>(unaudited)</i>	Three Months Ended Mar 31, 2006 <i>(unaudited)</i>
Cash provided by (used in) operating activities		
Net loss for the period	\$ (517)	\$ (272)
Items not affecting cash:		
Depreciation and amortization	433	65
Stock-based compensation	129	50
Unrealized foreign exchange gain	7	-
Future income tax	(227)	(109)
	(175)	(266)
Changes in non-cash operating working capital	(461)	(994)
	(636)	(1,260)
Financing activities		
Proceeds from shares issued	56,286	55,300
Share issue costs	(3,440)	(3,396)
Deferred costs	-	(181)
Capital lease payments	(19)	-
	52,827	51,723
Investing activities		
Acquisition of equipment	(23,765)	(11,057)
Increase in intangibles	(29)	(65)
Changes in non-cash working capital relating to capital items	(5,344)	248
	(29,138)	(10,874)
Increase in cash and cash equivalents during the period	23,053	39,589
Cash and cash equivalents - beginning of period	16,740	\$ 25,224
Cash and cash equivalents - end of period	\$ 39,793	\$ 64,813
Supplemental disclosure of cash flow information		
Interest received	\$ 276	\$ 336
Interest paid	47	-
Income tax paid	-	-
Non-cash transactions		
Purchase of patents in exchange for warrants	\$ 2,990	-

See accompanying notes to the financial statements

Xtreme Coil Drilling Corp.

Notes to the unaudited Consolidated Financial Statements
For the three months ended March 31, 2007
(\$ thousand, except share and per share data)

1. Nature of operations

Xtreme Coil Drilling Corp. ("Xtreme" or the "company"), was incorporated May 24, 2005 under the Business Corporations Act of Alberta. Xtreme is in the business of operating coiled tubing drilling rigs using new patented and patent-pending coil rig designs and technology. Xtreme's patents for the designs are currently pending in the United States. Upon completion of the Coil Over Top Drive™ drilling rigs, Xtreme contracts drilling services to oil and natural gas exploration and development companies in both Canada and the United States. Activities are currently directed from Xtreme's head office in Calgary, Alberta, Canada and an operating office in Casper, Wyoming in the United States.

2. Significant accounting policies

These unaudited interim consolidated financial statements ("interim statements") are prepared in accordance with Canadian generally accepted accounting principles and include only the accounts of Xtreme and its subsidiaries. All the wholly-owned subsidiaries are fully consolidated. Xtreme includes joint venture accounts on a proportionate basis and has eliminated all inter-entity transactions. These interim statements follow the same accounting policies and methods as the most recent consolidated financial statements ("annual statements") for the period ended December 31, 2006, except as noted below. These interim statements include all adjustments necessary to present fairly the results for the interim periods. The disclosures included below are incremental to those included with the annual statements. These interim statements should be read in conjunction with the most recent annual statements and notes included in Xtreme's annual report for the period ended December 31, 2006.

3. Changes in accounting policies

Xtreme adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, *Comprehensive Income*; Section 3855 *Financial Instruments – Recognition and Measurement*; Section 3861, *Financial Instruments – Presentation and Disclosure* on January 1, 2007.

The financial instruments standard establishes the recognition and measurement criteria for financial assets, liabilities and derivatives. All financial instruments are required to be measured at fair value on the initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading", "available-for-sale", "held-to-maturity", "loans and receivables" or "other financial liabilities" as defined by the standard.

Financial assets and financial liabilities "held-for-trading" are measured at fair value with the changes in those fair values recognized in net earnings. Financial assets "held-to-maturity" are measured at fair value with the changes in those fair values recognized in OCI. Financial assets "held-to-maturity", "loans and receivables" or "other financial liabilities" are measured at amortized cost using the effective interest method of amortization. The methods used by Xtreme in determining fair value of financial instruments are unchanged as a result of implementing the new standard.

Following is a summary of the accounting model Xtreme has elected to apply to each of its significant categories of financial instruments outstanding as of January 1, 2007.

Cash and cash equivalents	Held for trading
Accounts receivables	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

As a result of adopting 1530, *Comprehensive Income*, a new statement of Comprehensive Income forms part of Xtreme's consolidated financial statements. There is no material impact on the consolidated financial statements on adoption of these new standards.

Xtreme Coil Drilling Corp.

Notes to the unaudited Consolidated Financial Statements

For the three months ended March 31, 2007

(\$ thousand, except share and per share data)

4. Equipment

	31 Mar 2007			31 Dec 2006	
	Cost	Accumulated amortization	Net book value	Net book value	
Office and shop equipment	\$ 1,581	\$ 257	\$ 1,324	\$ 555	
Leasehold improvements	66	16	50	53	
Vehicles – owned or under capital lease	784	98	686	470	
Drilling equipment	34,012	571	33,441	33,150	
Drilling equipment – construction in progress	76,407	–	76,407	54,283	
	\$ 112,850	\$ 942	\$ 111,908	\$ 88,511	

Xtreme operates coiled tubing drilling rigs under contract and is currently building more coiled tubing drillings rigs under contract with third parties. We depreciate drilling rigs from the time the rigs become operational.

5. Intangibles

	31 Mar 2007			31 Dec 2006	
	Cost	Accumulated amortization	Net book value	Net book value	
Patents	\$ 5,153	\$ 190	\$ 4,963	\$ 1,984	

On February 27, 2007 the United States Patent and Trademark office issued Xtreme's first patent and we received notification March 7, 2007. This first patent related to the Series 2 Performance Warrants. As a result, these performance warrants vested and became exercisable. The value of the performance warrants of \$2,990 is recognized as contributed surplus and capitalized as part of intangibles.

6. Share capital Authorized and issued shares

Xtreme is authorized to issue an unlimited number of common voting and preferred shares without nominal or par value. The company has no preferred shares outstanding. Following is a summary of Xtreme's issued and outstanding common shares.

	31 Mar 2007		31 Dec 2006	
	Number	Amount	Number	Amount
Balance before receivable from shareholder, beginning of period	27,723,625	\$ 106,213	17,641,680	\$ 40,483
Shares issued:				
Issued in exchange for patents	–	–	–	–
Private placement for cash, net of issue cost	5,360,000	52,840	8,842,705	60,945
Shares issued on amalgamation, net of issue cost	–	–	555,556	1,566
Performance warrants exercised	666,667	2,000	666,667	2,000
Agent options exercised	–	–	17,017	93
Future income tax effect of share issue cost at expected tax rates	–	1,037	–	1,126
	6,026,667	55,877	10,081,945	65,730
Balance before receivable from shareholder, end of period	33,750,292	162,090	27,723,625	106,213
Receivable from shareholder	–	(300)	–	(300)
Balance, end of period	33,750,292	\$ 161,790	27,723,625	\$ 105,913

Xtreme Coil Drilling Corp.

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6. Share capital (continued)

a. Private placements

On February 15, 2007, Xtreme completed a private placement of 5,360,000 common shares at a price of \$10.50 per share for gross proceeds of \$56,280. Issue costs of \$3,440 resulted in net proceeds to the company of \$52,840.

b. Contributed surplus

	31 Mar 2007		31 Dec 2006	
Contributed surplus - opening balance	\$	1,478	\$	3,064
Stock based compensation		154		401
Warrants vested upon patent issuance		2,990		-
Contributed surplus transferred on exercise of options and warrants		(1,994)		(1,987)
Contributed surplus - ending balance	\$	2,628	\$	1,478

c. Stock options outstanding

Xtreme has established a Stock Option Plan (the "Plan") for directors, officers, employees and consultants which permits the granting of options to purchase up to a maximum of 10 percent of the company's issued outstanding common shares. The board of directors sets the number of options and exercise price thereof at the time of option grant provided that such exercise price shall not be less than that from time to time permitted under the rules of any stock exchange or exchanges on which Xtreme's common shares may be listed. Options granted under the Plan may be exercisable for a period not exceeding five years, generally with one-third of the options vesting each year for the first three years, commencing one year after grant.

During 1Q 2007, the board of directors approved the granting of 43,000 options at exercise prices ranging between \$10.84 and \$11.33. As of March 31, 2007, a total of 2,113,000 (2006 - 2,079,000) options were outstanding. During the quarter, a compensation expense of \$129 (2006- \$109) relating to these options was recorded as part of stock-based compensation expense and credited to contributed surplus.

Xtreme uses the fair value method of accounting for stock-based compensation. The fair value of options granted by the company was estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants assuming no dividends are paid on common shares, a risk-free interest rate ranging from 4.0 to 4.5 percent, an average life of 3.0 years and an expected volatility ranging from zero (when private) to 50 percent. The amounts computed according to the Black-Scholes pricing model may not be indicative of the actual values realized upon the exercise of these options by the holders. The amount of the fair value is charged to earnings over the period of vesting of the stock options and a corresponding credit is made to contributed surplus.

Xtreme Coil Drilling Corp.

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6. Share capital (continued)

A summary of the status of outstanding agent options and Xtreme's Stock Option Plan at March 31, 2007 is presented below.

	31 Mar 07		31 Dec 06	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of period	2,085,316	\$ 4.09	1,610,000	\$ 3.00
Granted	43,000	11.00	560,333	7.70
Exercised	-	-	(17,017)	4.50
Expired/cancelled	(9,000)	10.84	(68,000)	7.92
Outstanding, end of the period	2,119,316	\$ 4.20	2,085,316	\$ 4.09
Options exercisable, end of period	602,983	\$ 3.18	542,979	\$ 3.02

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$3.00 - \$ 4.50	1,761,316	3.4 yrs	\$ 3.09	591,316	\$ 3.10
\$7.00 - \$13.52	358,000	4.3 yrs	\$ 9.64	11,667	\$ 7.00
	2,119,316	3.5 yrs	\$ 4.20	602,983	\$ 3.18

d. Performance warrants

As part of the private placement in June 2005, Xtreme issued 1,000,000 Series 1 and 1,000,000 Series 2 Performance Warrants to one officer and two directors of the company. Each performance warrant entitles the holder to purchase one common share at a defined strike price of \$0.01 per common share. Currently there are 333,333 Series 1 Performance Warrants exercisable and outstanding.

On March 9, 2007 a total of 666,667 Series 2 Performance Warrants were exercised, leaving 333,333 Series 2 Performance Warrants exercisable and outstanding. Unexercised warrants expire on July 21, 2008.

The joint venture partner holds 2,092,574 warrants. Each warrant, once vested, entitles the holder to acquire one additional common share at an exercise price of \$16.00 per share. Certain conditions for the warrant holder to contract a specific amount of rigs are required before the warrants are exercisable. All unexercised warrants expire on December 19, 2009. The fair value allocated to these warrants using the Black-Scholes option pricing model is \$1,235. The assumptions used in the model are, a risk-free interest rate of 4 percent, an average life of 3.0 years and an expected volatility of 45 percent.

e. Diluted earnings per share

Common shares potentially issuable in exchange for stock options, agent options and performance warrants are not included in the computation of diluted earnings per share as to do so would be anti-dilutive. Diluted weighted average common shares outstanding is calculated using the treasury stock method, which assumes that any proceeds obtained on the exercise of stock options is used to purchase common shares at the average price for the year.

	31 Mar 07	31 Dec 06
Weighted average common shares outstanding - basic	30,573,995	24,997,450
Effect of stock options and warrants	1,984,018	2,462,244
Weighted average common shares outstanding - diluted	32,558,013	27,459,694

Xtreme Coil Drilling Corp.

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7. Commitments

Xtreme has commitments to suppliers with respect to contracts for the construction of Coil Over Top Drive™ drilling rigs in the amount of \$28.4 million which are not reflected in these consolidated financial statements.

8. Segmented information

Xtreme provides contract drilling services in Canada and the United States. The amounts related to each geographic area are as follows.

	Canada	United States	Total
Revenue	1,446	3,343	4,789
Property and equipment, net	77,964	33,944	111,908

Revenue from three customers of Xtreme's drilling segments in Canada and the United States represents all of Xtreme's \$4,789 in revenue.

Corporate Profile

Xtreme Coil Drilling Corp. ("Xtreme") develops and applies leading edge patented and patent-pending technology and designs to build and transport new Coil Over Top Drive™ ("COTD™") drilling rigs. These innovative and efficient drilling rigs, developed for operation in both the United States and Canada, use larger coil to drill for hydrocarbons in deeper horizons. Xtreme's proprietary technology also features modular transportation units, larger injectors, larger drilling rigs and new methodologies to achieve deeper, faster and safer drilling. Xtreme's common shares trade on the Toronto Stock Exchange ("TSX") the symbol "XDC".

Forward-looking Statements

The information in this news release may include certain information and statements about management's view of future events, expectations, plans and prospects that constitute forward-looking statements. Assumptions subject to significant risks and uncertainties are the basis for these forward-looking statements. Because of these risks and uncertainties and, as a result of a variety of factors, actual results, expectations, achievements or performance may differ materially from those anticipated and indicated by these forward-looking statements. Although Xtreme believes expectations reflected in any forward-looking statements are reasonable, we can give no assurances that expectations of any forward-looking statements will prove to be correct. Except as required pursuant to applicable securities laws, Xtreme disclaims any intention and assumes no obligation to update or revise any forward-looking statements to reflect actual results, whether as a result of new information, future events, changes in assumptions, changes in factors affecting such forward-looking statements or otherwise.

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