SOLID GROUNDWORK = SUCCESS + GROWTH

ENTERRA ENERGY CORP. 2003 FIRST QUARTER REPORT

HIGHLIGHTS

THREE MONTHS ENDED MARCH 31, 2003 (COMPARED TO THREE MONTHS ENDED MARCH 31, 2002)

- INCREASED REVENUE BY 293% FROM CDN$5.60 MILLION TO CDN$22.00 MILLION
- INCREASED CASH FLOW BY 423% FROM CDN$2.44 MILLION TO CDN$12.73 MILLION
- INCREASED CASH FLOW PER SHARE BY 415% FROM CDN$0.27 TO CDN$1.39
- INCREASED EARNINGS FROM OPERATIONS BY 2103% FROM CDN$326,000 TO CDN$7.19 MILLION
- INCREASED EARNINGS FROM OPERATIONS PER SHARE BY 1850% FROM CDN$0.04 TO CDN$0.78
- INCREASED EARNINGS BY 33% FROM CDN$3.15 MILLION TO CDN$4.19 MILLION*
- INCREASED EARNINGS PER SHARE BY 35% FROM CDN$0.34 TO CDN$0.46*
- INCREASED OPERATING NETBACKS BY 125% FROM CDN$12.00 PER BOE TO CDN$27.04 PER BOE

** 2002 earnings and earnings per share include a one-time CDN$2.9 million gain on redemption of preferred shares*

MANAGEMENT DISCUSSION AND ANALYSIS

The Company drilled 13 wells (11.0 net) during the quarter, resulting in nine oil wells (9.0 net) and two gas wells (1.0 net) for a 91% success ratio on a net basis.

Gross revenue for the three months ended March 31, 2003 was $22 million (2002 - $5.6 million) for a 293% increase. Production volumes for the three months ended March 31, 2003 were 5,178 boe/day (2002 – 2,422 boe/day) for a 114% increase.

Average oil prices received by Enterra were $48.40 per barrel in the three months ended March 31, 2003 (2002 - $27.57) for an increase of 76%. The Company received an average of $7.27 per mcf for its natural gas production during the three months ended March 31, 2003 (2002 - $3.59) for an increase of 103%. As a result, Enterra's revenue per boe increased by $21.53 per boe (or 84%) to $47.21 per boe in the first quarter of 2003 (2002 - $25.68).

Royalties for the three months ended March 31, 2003 were $4.9 million (2002 - $0.8 million). As a percentage of oil and gas revenues, royalties were 22% for the three months ended March 31, 2003 (2002 – 14%). This large increase is due to the increased production and the higher commodity prices in effect during the quarter.

Operating expenses for the three months ended March 31, 2003 were $3.0 million (2002 - $1.7 million). On a barrel of oil equivalent basis operating costs for the three months ended March 31, 2003 were $6.46 (2002 - $7.88) for an 18% decrease. The reduction in operating costs will continue over the next quarters as the Company focuses its drilling on a few selected areas, which makes it easier to manage and control costs.

General and administrative expenses for the three months ended March 31, 2003 were $0.7 million (2002 - $0.2 million). On a barrel of oil equivalent basis administrative costs were $1.55 for the three months ended March 31, 2003 (2002 - $1.13) for a 37% increase. The 2003 increase is due mainly to higher payroll costs and additional legal fees incurred in the quarter. As our production increases over time it is expected that the general and administrative expenses will fall back to a level between $1.00 and $1.50 per boe.

Interest expense for the three months ended March 31, 2003 was $0.49 million (2002 - $0.2 million). The increase in interest expense is due to higher debt levels in 2003, including bank debt, capital lease and vendor financing arrangements. Included in interest expense in the three months ended March 31, 2003 is $11,980 (2002 – NIL) of dividends paid to the preferred shareholders.

Depletion and depreciation for the three months ended March 31, 2003 was $5.4 million (2002 - $2.3 million). The increase reflects the higher cost base in our capital assets in 2003. The Company also amortized $0.2 million in deferred financing charges during the quarter (2002 – NIL).

Current and future income tax expense for the three months ended March 31, 2003 were $30,000 and $3.0 million respectively (2002 – $33,000 and $49,000). The 2002 income tax expense was low because the 2002 earnings of $3.1 million included a non-taxable gain on redemption of preferred shares of $2.9 million. This gain was excluded from the 2002 tax calculation as it is not subject to income tax. The future income tax expenses are calculated based on the timing difference of deductions for accounting and tax purposes on petroleum and gas assets.

The Company's earnings were $4.2 million for the three months ended March 31, 2003 (2002 - $3.1 million) for an increase of 33%. The 2002 earnings include a $2.9 million gain on redemption of preferred shares. Enterra redeemed 6,123,870 of its Series 1 preferred shares with a face redemption price of $5,205,290 for $2.3 million, resulting in a gain of $2.9 million. Without this gain, earnings for the three months ended March 31, 2002 would have been $244,447.

Earnings per share for the three months ended March 31, 2003 were $0.46 (2002 - $0.34). The weighted average number of shares outstanding for the three months ended March 31, 2003 was 9,182,314 (2002 – 9,150,622). Without the gain on redemption of preferred shares, the earnings per share for the three months ended March 31, 2002 would have been $0.03.

The Company had 9,183,325 common shares outstanding at March 31, 2003 (December 31, 2002 - 9,176,325)

Cash flow from operations for the three months ended March 31, 2003 was $12.7 million (2002 - $2.4 million) for a 423% increase. The 2003 cash flow was higher because of higher production (5,178 boe/day in 2003 compared to 2,422 boe/day in 2002), higher prices (up 84% on average) and lower operating costs (both as a percentage of revenue and on a per boe basis).

Enterra's bank debt at March 31, 2003 was $24.7 million (December 31, 2002 - $24.4 million). Enterra's bank facility consists of a line of credit of $26.7 million (December 31, 2002 - $26.7 million) of which $24.7 million was drawn (December 31, 2002 - $24.4 million).

During the quarter the Company sold several non-core properties for net proceeds of $15 million, which were used to reduce bank debt and to reduce working capital deficit. Approximately $9.5 million of these proceeds were included in accounts receivable at March 31, 2003. They were collected during the first week of April 2003.

The Company has approximately $39 million in tax pools available at March 31, 2003 (December 31, 2002 - $63 million).

The bank debt to equity ratio at March 31, 2003 was 0.58 to 1 (December 31, 2002 – 0.63 to 1).

Capital expenditures for the three months ended March 31, 2003 were $7.2 million (March 31, 2002 - $2.8 million).

SUMMARIZED FINANCIAL AND OPERATIONAL DATA

(in 000's except for volumes and per share amounts)

QUARTER ENDED MARCH 31	2003	2002	CHANGE
Production volumes (boe per day)	5,178	2,422	+ *114%*
Revenue	$22,002	$ 5,598	+ *293%*
Cash flow from operations	$12,732	$ 2,435	+ *423%*
Cash flow per share	$ 1.39	$ 0.27	+ *415%*
Earnings from operations *(excluding $2.9 million gain on redemption of preferred shares in 2002)*	$ 7,192	$ 326	+ *2103%*
Earnings from operations per share	$ 0.78	$ 0.04	+ *1850%*
Earnings *(includes gain of $2.9 million in 2002)*	$ 4,186	$ 3,150	+ *33%*
Earnings per share	$ 0.46	$ 0.34	+ *35%*
Average price per bbl of oil	$ 48.40	$ 27.57	+ *76%*
Average price per mcf of natural gas	$ 7.27	$ 3.59	+ *103%*
Operating costs per boe	$ 6.46	$ 7.88	- *18%*
G & A expenses per boe	$ 1.55	$ 1.13	+ *37%*
Operating netbacks per boe	$ 27.04	$ 12.00	+ *125%*

CONSOLIDATED BALANCE SHEETS

(Expressed in Canadian Dollars)

	MARCH 31 2003 (UNAUDITED)	DECEMBER 31 2002
Assets		
Current assets		
Cash	**$ 1,008**	$ 108,017
Accounts receivable	**19,908,660**	7,314,050
Prepaid expenses and deposits	**435,484**	656,685
	20,345,152	8,078,752
Capital assets	**81,253,808**	94,354,313
Deferred financing charges (note 5)	**118,941**	284,040
	$ 101,717,901	$ 102,717,105
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 12,341,858**	$ 20,661,005
Income taxes payable	**179,571**	155,424
Bank indebtedness (note 2)	**24,742,500**	24,436,640
Current portion of long-term debt (note 3)	**805,738**	808,917
	38,069,667	46,061,986
Provision for future abandonment and site restoration costs	**1,050,457**	934,857
Future income tax liability	**15,046,101**	12,070,101
Long term debt (note 3)	**3,917,220**	4,112,681
Deferred gain	**157,646**	237,463
Series 1 preferred shares (note 1)	**599,364**	636,690
	58,840,455	64,053,778
Shareholders' Equity		
Share capital (note 4)	**29,693,075**	29,665,075
Contributed surplus (note 4)	**65,029**	65,029
Retained earnings	**13,119,342**	8,933,223
	42,877,446	38,663,327
Hedging Contracts (note 7)		
	$ 101,717,901	$ 102,717,105

Approved on behalf of the Board:

Reg Greenslade, P.Eng.
DIRECTOR

Walter Dawson
DIRECTOR

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

Three Months Ended March 31 (Expressed in Canadian Dollars) (Unaudited)

	THREE MONTHS MARCH 31 2003	THREE MONTHS MARCH 31 2002
Revenue		
Oil and gas	$ 22,002,371	$ 5,598,020
Expenses		
Royalties, net of ARTC	4,934,892	809,259
Production	3,009,329	1,717,731
General and administrative	722,575	246,460
Amortization of deferred financing charges	239,735	–
Interest on long-term debt	493,721	208,123
Depletion, depreciation and site restoration	5,410,000	2,290,000
	14,810,252	5,271,573
Earnings before the following	7,192,119	326,447
Gain on redemption of preferred shares	–	2,905,290
Earnings before income taxes	7,192,119	3,231,737
Income taxes:		
Current	30,000	33,000
Future	2,976,000	49,000
	3,006,000	82,000
Net earnings	4,186,119	3,149,737
Retained earnings, beginning of period	8,933,223	3,955,822
Retained earnings, end of period	$ 13,119,342	$ 7,105,559
Earnings per share:		
Basic	$ 0.46	$ 0.34
Diluted	$ 0.42	$ 0.34

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months Ended March 31 (Expressed in Canadian Dollars) (Unaudited)

	THREE MONTHS MARCH 31 2003	THREE MONTHS MARCH 31 2002
Cash provided by (used in):		
Operations		
Net earnings	**$ 4,186,119**	$ 3,149,737
Add non-cash items:		
Depletion, depreciation and site restoration	**5,410,000**	2,290,000
Future income taxes	**2,976,000**	49,000
Amortization of deferred financing charges	**239,735**	–
Amortization of deferred gain	**(79,817)**	(147,924)
Gain on redemption of preferred shares	**–**	(2,905,290)
Funds from operations	**12,732,037**	2,435,523
Net change in non-cash working capital items :		
Accounts receivable	**(12,594,610)**	(805,349)
Prepaid expenses and deposits	**221,201**	(84,519)
Accounts payable and accrued liabilities	**(8,319,147)**	(167,457)
Income taxes payable	**24,147**	(41,710)
	(7,936,372)	1,336,488
Financing		
Bank indebtedness	**305,860**	2,734,646
Long-term debt	**(198,640)**	–
Deferred financing charges	**(74,636)**	(239,000)
Issue of common shares, net of issue costs	**28,000**	–
Redemption of preferred shares	**(37,326)**	(1,750,000)
	23,258	745,646
Investing		
Capital assets	**(7,178,059)**	(2,798,688)
Proceeds on disposal of capital assets	**14,986,564**	731,656
Future abandonment and site restoration costs	**(2,400)**	(8,500)
	7,806,105	(2,075,532)
Increase (decrease) in cash	**(107,009)**	6,602
Cash, beginning of period	**108,017**	43,364
Cash, end of period	**$ 1,008**	$ 49,966

During the three months ended March 31, 2003 the Company paid $391,269 (2002 -$208,123) of interest on bank debt. There were no income taxes paid in the three months ended March 31, 2003 and 2002.

See accompanying notes to consolidated financial statements

The interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The interim consolidated financial statements have been prepared following the same accounting policies and methods used in preparing the consolidated financial statements for the fiscal year ended December 31, 2002, and should be read in conjunction with those statements. The other disclosures below are incremental to those reflected in the annual statements.

1. SERIES 1 PREFERRED SHARES

As at March 31, 2003 there were 705,135 (2002 – 1,294,466) Series 1 preferred shares outstanding. These shares are non-voting. They are transferable. Holders of these shares are not entitled to receive any dividends until the first anniversary of the date of issue. These shares are redeemable at any time by the Company for $0.85 per share. Holders of these shares may require the Company to redeem all or any of these shares, at $0.85 per share, at any time following the first anniversary of the date of issue (August 16, 2001). There is no market for these shares and none is expected to develop. A dividend of $11,980 was paid on the preferred shares in the quarter ended March 31, 2003. This amount is included in interest expense as the preferred shares are classified as debt as they are redeemable at the option of the holder.

2. BANK INDEBTEDNESS

Bank indebtedness represents the outstanding balance under a line of credit of $26,700,000 with the Alberta Treasury Branches. Drawings bear interest at 0.25% above the bank's prime lending rate. Security is provided by a first charge over all of the Company's assets. The balance is repayable on demand. While the loan is due on demand, the Company is not subject to scheduled repayments.

3. LONG-TERM DEBT

Assets secured with long-term debt are tangible oil and gas equipment with a cost of $5,217,500. These assets are subject to depletion.

DESCRIPTION	PRINCIPAL OUTSTANDING	LESS CURRENT PORTION	NET MARCH 31 2003	NET DECEMBER 31 2002
Capital lease bearing interest at 8.605%, repayable monthly at $88,802 plus applicable taxes. The lease term is for 60 months, due October 1, 2007, with a purchase option of $1,000,000.	$ 4,581,155	$ 695,602	$ 3,885,553	$ 4,069,139
Capital lease bearing interest at 12.15%, repayable monthly at $4,448 plus applicable taxes. The lease term is 24 months due December 19, 2004 with a purchase option of $100.	79,167	47,500	31,667	43,542
Note payable bearing interest at 8%, repayable monthly at $7,190. The lease term is 15 months due December 20, 2003.	62,636	62,636	–	–
	$ 4,722,958	$ 805,738	$ 3,917,220	$ 4,112,681

4. SHARE CAPITAL:

(a) Issued:

	NUMBER OF COMMON SHARES	AMOUNT
Balance, December 31, 2002	9,176,325	$ 29,665,075
Issued on exercise of options	7,000	28,000
Balance, March 31, 2003	9,183,325	$ 29,693,075

(b) Options:

	NUMBER OF OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at December 31, 2002	871,703	$4.35
Options granted	4,000	$10.40
Options exercised	(7,000)	($4.00)
Options cancelled	–	–
Outstanding at March 31, 2003	868,703	$4.38

(c) Warrants:

On March 28, 2002 the Company agreed to issue 300,000 share purchase warrants to an arm's length U.S.-based consulting firm in connection with a potential debt financing in the United States. The warrants are to have a two-year term and are subject to different pricing (100,000 warrants at US$2.60, 100,000 at US$3.30 and 100,000 at US$4.00). The US$2.60 warrants have vested since the execution in May 2002 of a non-binding letter of intent relating to the proposed financing. The US$3.30 and US$4.00 warrants are to vest only on the successful closing and funding of the proposed financing. A value of $125,000 was assigned to the 100,000 warrants at US$2.60. This value was determined using the Black Scholes Option Pricing model using an interest rate of 5% and a volatility factor of 50%. The $125,000 was credited to the Company's contributed surplus account at December 31, 2002.

(d) Pro forma net income – fair value based method of accounting for stock options:

The following shows pro forma net income and earnings per common share had we applied the fair-value based method of accounting to stock options issued in the three months ended March 31, 2003 and 2002:

	2003	2002
Net earnings (in 000's)		
As reported	$ 4,186	$ 3,150
Less fair value of stock options to employees	(71)	(41)
Pro Forma	$ 4,115	$ 3,109
Earnings Per Common Share ($/share)		
Basic as Reported	$ 0.46	$ 0.34
Pro Forma	$ 0.45	$ 0.34
Diluted as Reported	$ 0.42	$ 0.34
Pro Forma	$ 0.42	$ 0.34

5. DEFERRED FINANCING CHARGES

Deferred financing charges include costs related to the capital lease, due October 1, 2007. These costs are being amortized over the life of the lease. The amount amortized in the three months ended March 31, 2003 was $7,000 (2002 – NIL).

6. RECONCILIATION OF EARNINGS PER SHARE CALCULATIONS :

Three Months Ended March 31, 2003

	NET EARNINGS	WEIGHTED AVERAGE SHARES OUTSTANDING	PER SHARE
Basic	$ 4,186,119	9,182,314	$ 0.46
Options and warrants assumed exercised		1,067,459	
Shares assumed purchased		(398,277)	
Diluted	$ 4,816,119	9,851,496	$ 0.42

7. HEDGING CONTRACTS :

In February of 2003 the Company entered into several contracts to deliver 2,000 barrels of oil per day for the period April 1, 2003 and December 31, 2003. The prices and volumes are as follows:

VOLUMES (IN BARRELS PER DAY)	PRICE (IN US DOLLARS)
1,000	US$29.60
250	US$29.71
250	US$29.50
500	US$29.80

CORPORATE INFORMATION

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BANKERS

Alberta Treasury Branches
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TRANSFER AGENT

Olympia Trust Company
Calgary, AB

STOCK EXCHANGE LISTINGS

Nasdaq (symbol: EENC)
TSX Venture (symbol: ENT)

DIRECTORS

Walter A. Dawson*
Reg J. Greenslade
H.S. (Scobey) Hartley
Thomas J. Jacobsen
G.W. Douglas Paul*
Norman K. Wallace*

OFFICERS

Reg J. Greenslade
President and Chief Executive Officer

Luc Chartrand, C.A.
Chief Financial Officer

Thomas J. Jacobsen
Chief Operating Officer

Trevor Spagrud
Vice President Engineering

Tom Dirks
Vice President Exploration

Albert Johnston
Vice President Operations

Rick McHardy
Corporate Secretary

**Member, Audit Committee*

ABBREVIATIONS

bopd	barrels of oil per day
mcf/day	thousands of cubic feet per day
boe/day	barrels of oil equivalent per day (6 mcf equivalent to 1 bbl)
boe	barrels of oil equivalent (6 mcf equivalent to 1 bbl)
mboe	thousands of barrels of oil equivalent
mmcf/day	millions of cubic feet per day