



## NEWS RELEASE

### **ESSENTIAL ENERGY SERVICES ANNOUNCES UPDATE ON ITS COLOMBIAN OPERATIONS, CANADIAN OPERATIONS AND 2011 CAPITAL SPENDING BUDGET**

CALGARY, ALBERTA February 9, 2011 – Essential Energy Services Ltd. (TSX: ESN) (“Essential” or the “Company”) announces an update on its Colombian operations, Canadian operations and 2011 capital spending budget.

#### **UPDATE ON COLOMBIAN OPERATIONS**

Essential has made significant progress on its strategy to commence operations in Colombia in early 2011. In the last three months, Essential has accomplished the following:

- Transported Canadian equipment from Alberta to Colombia in December, 2010. The shipment included one double service rig, three double rod rigs, one intermediate coil tubing rig, one nitrogen pumper, one nitrogen bulker, two electric wireline (“e-line”) trucks and various support equipment and operating supplies.
- Established an operating base in Barrancabermeja, in the mid Magdalena Basin in northern Colombia.
- Completed arrangements for expatriate personnel to arrive in Colombia in February, 2011 and commenced hiring local Colombian personnel. Initial services will be offered using temporary Canadian expatriate labour and local Colombian labour, with expectations that services will eventually be crewed with local labour.
- Progressed negotiations for a two year Pilot Contract (the “Pilot Contract”) with a major operator in Colombia to provide Canadian-style service techniques and equipment. The scope of the Pilot Contract is expected to cover all equipment in the currently planned shipments.
- Submitted a response to a major operator’s invitation to participate in its 2011 Integrated Services (“IS”) Initiative. If Essential is successful in this process, it expects to have the opportunity to provide services to the operator at contracted prices.
- Essential expects to execute the Pilot Contract and a contract under the IS Initiative in the first quarter of 2011.

During the next three months, Essential anticipates the following developments related to its Colombian operations:

- Transport the second shipment of equipment in mid-February from Alberta to Colombia including: one single service rig, one shallow coil tubing rig and one nitrogen pumper.
- Commence operations in March, 2011 with expectations to progressively increase activity thereafter.
- Transport a new deep coil tubing rig and picker that is currently under construction in Canada in April, 2011.

After the April, 2011 shipment, the total value of equipment in Colombia is expected to be \$14 million. Essential continues to believe that its early entry into the Colombian oilfield services market, combined with its array of integrated services, provides a distinct competitive advantage in the growing Colombian oilfield services market.

## **UPDATE ON CANADIAN OPERATIONS**

Essential's fastest growing Canadian segment in 2010 was the Downhole Services and Rentals Segment, primarily as a result of the Tryton downhole tools operation. During 2010, Essential managed to successfully grow this operation by increasing tool inventory, improving tool and equipment fabrication and supply arrangements, hiring additional skilled personnel and expanding testing and assembly facilities. In 2011, Essential anticipates continued growth of this business including the Tryton Multi-Stage Fracturing System for horizontal well bores in the Cardium, Bakken and Alberta Montney regions. Due to the nature of this business, minimal capital is required to expand operations.

Approximately 80% of Essential's service rig, coil tubing and downhole tools and rentals operations are oil and liquids-rich natural gas related. With the rising price of oil in early 2011, and Essential's positioning as the sixth largest service rig operator in western Canada and largest coil tubing operator in Canada, the Company anticipates strong demand for these services through the first quarter of 2011.

Essential plans to release its year end results on March 8, 2011.

## **2011 CAPITAL SPENDING BUDGET**

The 2011 capital spending budget for the Company is \$27 million comprised of \$16 million of growth capital, \$9 million of maintenance capital and \$2 million of infrastructure capital. One million of this capital is carryover from the 2010 budget. The growth capital includes \$12 million for Canada and \$4 million for Colombia.

### Canadian Growth Spending

Canadian expenditures include:

- Coil tubing: increasing the depth of the fleet with \$8 million of spending for a new intermediate coil tubing rig with deeper capabilities; two nitrogen pumpers (one is a high rate nitrogen pumper, as replacement for equipment currently being rented, for nitrogen stimulation of coalbed methane reservoirs in southern Alberta); three nitrogen bulkers; and conversion of three shallow coil tubing rigs to intermediate, plus completing the two shallow-to-intermediate conversions that were initially budgeted in 2010.
- Service rigs: \$2 million to replace support equipment that has been relocated to Colombia and to acquire two new pump trucks.
- Rentals: \$2 million of new tubular rentals stock.

### Colombian Growth Spending

The Colombian expenditures of \$4 million include the previously announced deep coil tubing rig along with a rod rig accelerator unit and various support equipment.

### Maintenance Capital Spending

Gross maintenance capital of \$9 million is higher than previous years reflecting additional expenditures to refurbish and maintain the fleet, as utilization levels have improved. The 2011 maintenance capital budget includes four level four certifications for service rigs, which are major overhauls required every 24,000 operating hours, and upgrades of support equipment for four service rigs.

Essential will assess the capital spending budget relative to industry activity as the year progresses and may increase spending, if warranted. The 2011 capital spending is expected to be funded with operating cash flow and, temporarily as required, with the existing credit facility.

With the shipments to Colombia and the capital spending announcements, Essential anticipates the following equipment count in Canada and Colombia:

	December 31, 2010			December 31, 2011		
	Canada	Colombia	Total	Canada	Colombia	Total
Service Rigs	51	1	52	51	2	53
Rod Rigs	20	3	23	20	3	23
Coil Tubing						
Shallow	19	-	19	13	1	14
Intermediate	11	1	12	17	1	18
Deep	2	-	2	2	1	3
	<u>32</u>	<u>1</u>	<u>33</u>	<u>32</u>	<u>3</u>	<u>35</u>
Nitrogen Pumpers and Bulkheads	14	2	16	18	3	21
Wireline	18	2	20	18	2	20

## ABOUT ESSENTIAL

Essential Energy Services Ltd. is a growth-oriented corporation that provides oilfield services to oil and gas producers in western Canada and Colombia for servicing producing wells and new drilling activity. Essential provides services through its Well Servicing and Downhole Services & Rentals divisions. With 53 service rigs, Essential is the 6<sup>th</sup> largest service rig provider in Canada. With 33 coil tubing rigs, Essential has the largest coil tubing well service fleet in Canada. Essential sells and services a full-range of downhole tools including the Tryton Multi-Stage Fracturing System and other rental equipment. Essential also provides slickline, perforating and logging services with 20 wireline trucks. Further information about Essential can be found at [www.essentialenergy.ca](http://www.essentialenergy.ca).

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

*Certain statements contained in this press release that are not historical facts constitute forward-looking statements within the meaning of applicable Canadian securities legislation. All forward-looking statements are based on Essential's beliefs and assumptions based on information available at the time the assumption was made. The use of any of the words "could", "should", "can", "hope", "anticipate", "plan", "believe", "expect", "believe", "will", "may", "projected", "sustain", "continues", "strategy", "potential", "projects", "grow", "take advantage", "estimate", "well positioned" and similar expressions are intended to identify forward-looking statements. By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Essential believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this press release should not be unduly relied upon. These statements speak only as of the date of this press release. In particular, this press release contains forward-looking statements pertaining to the following: transferring certain equipment from Essential's Canadian fleet to Colombia; type and availability of such equipment; execution of agreements; Essential's competitive advantage in Colombia; timing of commencing operations in Colombia; availability of sufficient skilled labour in Colombia; customer demand for services and equipment; timing of release of 2010 financial results, future capital spending; plans to finance capital spending with operating cash flow and the credit facility, and anticipated equipment counts.*

*These forward-looking information and statements are based on certain assumptions and analysis made by Essential in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. However, whether actual results, performance or achievements will conform to Essential's expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results to differ materially from Essential's expectations. Such risks and uncertainties include, but are not limited to: fluctuations in the price and demand for oil and natural gas; fluctuations in the level of oil and natural gas exploration and development activities; fluctuations in the demand for well servicing and ancillary oilfield services; capital market liquidity available to fund customer programs; uncertainties associated with partner plans and approvals; the effects of seasonal and weather conditions on operations and facilities; the existence of competitive operating risks inherent in well servicing and ancillary oilfield services; general economic, market or business conditions; changes in laws or regulations; the availability of qualified personnel, management or other key inputs; currency exchange and interest rate fluctuations; uncertainties*

*associated with regulatory approvals; uncertainty of government policy changes; uncertainties associated with credit facilities and counterparty credit risk; changes in income tax laws or changes in tax laws, crown royalty rates and incentive programs relating to the oil and gas industry; changes in political and security stability; the ability of Essential to enforce legal rights in foreign jurisdictions; the ability of Essential to obtain government permits; risks associated with government regulations and environmental health and safety matters; differences between Canadian GAAP and IFRS; and other unforeseen conditions which could impact the use of equipment and services supplied by Essential.*

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

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*The TSX has neither approved nor disapproved the contents of this press release.*