



## NEWS RELEASE

### **ESSENTIAL ENERGY SERVICES ANNOUNCES ACQUISITION OF COIL TUBING AND PUMPING ASSETS AND DISPOSITION OF SERVICE RIG DIVISION**

Calgary, Alberta December 12, 2016 – Essential Energy Services Ltd. (“Essential”) (TSX: ESN) announces it has entered into a definitive agreement with Precision Drilling Corporation (“Precision”) to sell and purchase certain assets (the “Transaction”). Under the Transaction, Essential will sell its service rig business (the “Service Rig Business”) to Precision in a transaction valued at approximately \$28 million. Precision will pay for the Service Rig Business with the transfer of its coil tubing and pumping assets (the “Coil Well Service Assets”) and cash proceeds of \$12 million. The Transaction is subject to customary terms and conditions, including due diligence, and is scheduled to close on December 16, 2016.

The Service Rig Business that Essential is selling includes the following:

- 38 active service rigs and 16 service rigs that have been classified by Essential as parked;
- 150 employees; and
- Certain ancillary equipment and related inventory.

The Coil Well Service Assets that Essential will receive includes the following:

- Four coil tubing rigs, similar in size, age and capability as Essential’s Generation III coil tubing rigs;
- Three quintuplex pumper units;
- One nitrogen unit; and
- Related inventory.

There will be no transfer of employees as the Coil Well Service Assets have been parked since the first quarter of 2016.

#### **Rationale for the Transaction**

The Transaction is an example of logical industry consolidation as Essential is an industry leader in coil well service, with the largest coil tubing fleet in the Western Canadian Sedimentary Basin (“WCSB”) and Precision is an industry leader in service rigs, with the largest service rig fleet in the WCSB.

After the Transaction closes, Essential will have two remaining businesses: coil well service and downhole tools & rentals, further defining its focus. This will result in people and training efficiencies and is expected to create stronger sales synergies between those two businesses. Essential believes customers are seeking solution-based service delivery by companies with unique expertise and scale.

“We believe this is a transformative transaction for Essential,” said Garnet Amundson, President and Chief Executive Officer of Essential. “In the past few years, we have generated higher operating hours, utilization and margins from our coil well service business than our service rig business. We believe the opportunity to return to growth and profitability as the industry recovers is greater in the coil well service business as there is less competition and not as much excess competitor equipment.”

The acquired coil tubing rigs are relatively new and similar in specification to Essential's Generation III coil tubing rigs. The rigs are capable of operating up to 6,300 meters with 2 3/8" coil tubing, making them ideal to work on deep, long-reach horizontal wells in the Bakken and the Montney. These rigs will augment Essential's current fleet of four Generation III coil tubing rigs, which have experienced relatively strong utilization in 2016.

Upon completion of the Transaction, the \$12 million cash proceeds will be applied to debt, significantly reducing debt outstanding. On December 12, 2016, Essential's debt outstanding, net of cash, was \$20 million.

"Essential has taken a number of important steps throughout 2016 to effectively manage costs and reduce debt," said Mr. Amundson. "We implemented additional cost reductions, eliminated the dividend, renewed and extended the credit facility with relaxation of financial covenants, issued equity and are now streamlining our business and further reducing our debt. All of these steps put Essential in a strong position as the industry is seeing signs of recovery."

## **FORWARD LOOKING STATEMENTS**

This news release contains forward-looking statements and information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. In particular, this news release contains forward-looking statements pertaining to, among other things, the: completion of the Transaction; terms of the Transaction; closing of the Transaction; composition of the Service Rig Business; composition of the Coil Well Service Assets; transfer of employees; post Transaction business of Essential; customer demand; the impact on Essential's business of an industry recovery; and use of proceeds resulting from the Transaction.

These forward-looking statements and information are based on certain key expectations and assumptions made by Essential regarding the Transaction. Although Essential believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because Essential can give no assurance that they will prove to be correct.

Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, market conditions, commodity price volatility, government regulation pertaining to the oilfield services industry, fluctuations in the demand for well servicing and other oilfield services and Essential's ability to raise capital and access credit on commercially reasonable terms. Accordingly, readers should not place undue reliance on the forward-looking statements and information. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Essential or its financial results are included in Essential's securities filings with applicable securities regulatory authorities and may be accessed under Essential's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The forward-looking statements and information contained in this news release are made as of the date hereof and Essential undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. The forward-looking statements and information contained in this news release are expressly qualified by this cautionary statement.

## **ABOUT ESSENTIAL**

Essential provides oilfield services to oil and natural gas producers, primarily in western Canada. Essential offers completion, production and abandonment services to a diverse customer base. Services are offered with masted coil tubing, fluid and nitrogen pumping and the sale and rental of downhole tools and equipment. Essential offers the largest masted coil tubing fleet in Canada. Further information can be found at [www.essentialenergy.ca](http://www.essentialenergy.ca).

**FOR FURTHER INFORMATION, PLEASE CONTACT:**

Garnet K. Amundson

President and CEO

Phone: (403) 513-7272

[service@essentialenergy.ca](mailto:service@essentialenergy.ca)

Karen Perasalo

Investor Relations

Phone: (403) 513-7272

[service@essentialenergy.ca](mailto:service@essentialenergy.ca)

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