**NEWS RELEASE**

**ESSENTIAL ENERGY SERVICES ANNOUNCES RECORD FOURTH QUARTER AND YEAR END RESULTS AND APPROVAL OF A QUARTERLY DIVIDEND**

Calgary, Alberta March 12, 2012 – Essential Energy Services Ltd. (TSX: ESN) ("Essential" or the "Company") announces record fourth quarter results with EBITDA(1) of $31.8 million compared to $11.3 million in the fourth quarter of 2010. EBITDA(1) for the year was $72.4 million compared to $29.4 million in 2010, a 146% increase.

"2011 was a year of positive transformation for Essential," said Garnet Amundson, President and CEO. "Against the backdrop of increasing industry activity as the price of oil improved to a level of relative stability, we closed the acquisition of Technicoil Corporation, strengthening our position as the leading coil tubing well service provider in Canada. With the industry focused on oil and liquids-rich natural gas and horizontal drilling, our coil tubing rigs, service rigs and downhole tools were in high demand."

## DIVIDEND ANNOUNCEMENT

As a reflection of Essential's strong financial position, positive forecast for operating conditions and its commitment to maximizing shareholder value, the Board of Directors has approved implementation of a dividend policy that provides for the payment of a quarterly dividend. The first dividend will be $0.025 per share, payable on April 13, 2012 to shareholders of record at the close of business on March 30, 2012. The dividends are eligible dividends for Canadian tax purposes.

## FOURTH QUARTER HIGHLIGHTS

- The deep coil tubing fleet reported 111% utilization. Essential's fleet of 25 deep coil tubing rigs was busy servicing the growing demand from horizontal drilling and resource play development.
- Downhole tools & rentals reported $27.5 million of revenue, a 48% increase over the fourth quarter of 2010.
- Service rigs operated at 59% utilization, an increase from 51% in the fourth quarter of 2010.
- EBITDA margin(1) was 29%, an increase from 21% in the fourth quarter of 2010.
- Essential announced a 2012 capital spending budget of $60 million in December 2011, increasing the depth and breadth of the coil tubing, nitrogen, fluid pumping and service rig fleets.
- As at December 31, 2011, debt net of working capital was $2.8 million.

Essential had $52.0 million of debt outstanding at March 12, 2012 and debt to 2011 EBITDA(1) was 0.7x.

## SELECTED FINANCIAL INFORMATION

| (Thousands, except per share amounts) | Three months ended December 31, 2011 | 2010 | Year ended December 31, 2011 | 2010 |
|---|---|---|---|---|
| Revenue | **$ 110,903** | $ 53,943 | **$ 317,214** | $ 166,601 |
| Gross margin | **$ 35,758** | $ 14,636 | **$ 86,587** | $ 41,352 |
| Gross margin %[1] | **32%** | 27% | **27%** | 25% |
| EBITDA[1] | **$ 31,829** | $ 11,293 | **$ 72,386** | $ 29,407 |
| EBITDA %[1] | **29%** | 21% | **23%** | 18% |
| Funds flow from operations [1] | **$ 28,758** | $ 11,198 | **$ 63,342** | $ 29,426 |
| Per share – basic and diluted [1] | **$ 0.23** | $ 0.16 | **$ 0.61** | $ 0.43 |
| Net income attributable to shareholders of Essential | **$ 17,559** | $ 6,121 | **$ 31,122** | $ 11,997 |
| Per share – basic | **$ 0.14** | $ 0.09 | **$ 0.31** | $ 0.18 |
| Per share – diluted | **$ 0.14** | $ 0.09 | **$ 0.30** | $ 0.17 |
| Total assets | **$ 421,590** | $ 173,803 | **$ 421,590** | $ 173,803 |
| Total long-term debt | **$ 63,576** | $ 396 | **$ 63,576** | $ 396 |

(1) Refer to "Non-IFRS Measures" section for further information.

## ACQUISITION OF TECHNICOIL CORPORATION

On May 31, 2011, Essential completed the acquisition of Technicoil Corporation (the "Technicoil Acquisition") pursuant to a plan of arrangement under the *Business Corporations Act* (Alberta). To assist the reader in understanding the current operations of Essential, management has provided the combined results for Essential assuming the Technicoil Acquisition had occurred on January 1, 2011.

**Essential and Technicoil Operations Combined as of January 1, 2011**

| (Thousands) | Three Months Ended March 31, 2011 | June 30, 2011 | September 30, 2011 | December 31, 2011 | Year Ended December 31, 2011 |
|---|---|---|---|---|---|
| Revenue | $ 101,176 | $ 48,471 | $ 99,416 | $ 110,903 | $ 359,966 |
| Gross margin | $ 29,135 | $ 1,324 | $ 31,100 | $ 35,758 | $ 97,317 |
| Gross margin % [1] | 29% | 3% | 31% | 32% | 27% |
| EBITDA[1] | $ 24,849 | $ (2,506) | $ 27,293 | $ 31,829 | $ 81,465 |
| EBITDA %[1] | 25% | (5)% | 27% | 29% | 23% |
| Utilization - Canada | | | | | |
| Deep coil tubing rigs | 122% | 35% | 104% | 111% | 93% |
| Service rigs | 65% | 28% | 54% | 59% | 52% |

Management has also provided the following reconciliation between the results from the table above to the financial results for Essential for the year ended December 31, 2011.

| (Thousands) | Revenue | EBITDA[1] |
|---|---|---|
| Combined results | $ 359,966 | $ 81,465 |
| Less: results from Technicoil for the period January 1 to May 31, 2011 | (42,752) | (9,079) |
| Essential Consolidated Financial Statements | $ 317,214 | $ 72,386 |

## OVERVIEW OF ESSENTIAL

### EQUIPMENT FLEET

| As at December 31, 2011 | **2011** | 2010 |
|---|---|---|
| Coil Tubing Rigs | | |
| Deep | **25** | 5 |
| Shallow/Intermediate | **26** | 28 |
| Nitrogen pumpers | **12** | 10 |
| Fluid pumpers | **15** | - |
| Service Rigs | | |
| Singles | **38** | 29 |
| Doubles | **21** | 23 |

### CANADA

Coil tubing rigs

Essential operates the largest coil tubing well servicing fleet in the Western Canadian Sedimentary Basin ("WCSB"). There are two distinct operating categories within Essential's coil tubing rig fleet, deep coil tubing rigs and shallow/intermediate coil tubing rigs.

- Deep coil tubing rigs include both masted and conventional coil tubing rigs that have a depth capacity up to 6,600 meters. The deep coil tubing rigs primarily provide completion, fracture stimulation and workover services primarily on long reach horizontal wells. These rigs are supported by a fleet of nitrogen and fluid pumpers, which broadens Essential's services. The deep coil tubing rig fleet is primarily focused on providing services on horizontal oil and liquids-rich natural gas resource plays.
- Shallow/intermediate coil tubing rigs are conventional coil tubing rigs that have a depth capacity up to 2,500 meters. These rigs primarily provide workover services on existing wells; the intermediate rigs are typically more oil focused while the shallow rigs are focused on natural gas.

Service rigs

Essential's mobile service rig fleet operates from eight service locations across western Canada providing well completion and production/workover services in all major resource plays across the WCSB. Service rigs are used primarily on oil wells which are typically more service intensive than natural gas wells. These rigs are deployed to repair, re-complete and stimulate existing wells and perform completions on new wells.

Downhole tools

Essential provides a wide range of downhole tools and rental services to assist with the completion and production operations of oil and natural gas wells. These services offer a full range of downhole tools, including the Tryton Multi-Stage Fracturing System ("Tryton MSFS") which is used for horizontal well completions.

## INDUSTRY OVERVIEW

### CANADA

Throughout 2011, well service activity in the WCSB was driven by horizontal drilling and stimulation and completion work on oil and liquids-rich natural gas plays. The sustained strength of oil prices during the year provided a significant lift to activity levels. The focus on horizontal wells contributed to increased demand for oilfield service equipment, including deep coil tubing rigs and multi-stage completion services, as horizontal wells typically require more investment capital and increased rig time per well due to their depth and complexity compared to conventional vertical wells.

Additionally, service rig utilization during 2011, as reported by the Canadian Association of Oilwell Drilling Contractors ("CAODC"), exceeded the average utilization over the last five years and reached its highest levels since 2006 during the latter part of the year.

The increasing demand for services in the WCSB continued to create labour constraints and cost escalations in the oilfield services sector throughout 2011.

## OPERATING HIGHLIGHTS – ESSENTIAL

2011 was a record year for Essential. The Technicoil Acquisition, completed in the second quarter, strengthened Essential's position as the predominant coil tubing well service provider in Canada.

On a year over year basis, the key factors that enabled Essential to generate record results included:

- The Technicoil Acquisition – This acquisition added 16 masted deep coil tubing rigs, 6 fluid pumpers, 9 service rigs and 5 hybrid drilling rigs to Essential's fleet.
- Integration of coil tubing fleet – The additions to the coil tubing and fluid pumper fleets have allowed Essential to provide integrated services and expand its service offerings.
- Downhole tools – Essential's downhole tool segment benefited from higher demand for horizontal stimulation and completion work and increased demand for conventional tools on oil wells.
- Utilization – The quality, location and versatility of Essential's equipment fleet resulted in improved utilization.

Essential's $47 million capital expenditure program in 2011 focused on:

- Investing in high demand assets – Essential increased its deep coil tubing fleet to meet the growing demand for deep coil tubing rigs in the key resource plays within the WCSB.
- Responding to industry needs – Essential expanded its pumper fleet to reduce reliance on third party contractor equipment.
- The capital program in 2011 was below the previously announced program of $56 million due to deferrals into 2012, which have been included in Essential's announced 2012 capital program, and revisions of the preliminary capital program related to Technicoil.

### SEGMENT RESULTS - *WELL SERVICING - CANADA*

| | Three months ended December 31, | | Year ended December 31, | |
|---|---|---|---|---|
| (Thousands) | **2011** | 2010 | **2011** | 2010 |
| Revenue | | | | |
| Coil tubing rigs* | **$ 43,945** | $ 11,373 | **$ 104,296** | $ 33,678 |
| Service rigs | **25,060** | 17,747 | **79,508** | 58,271 |
| Other | **7,735** | 2,457 | **20,615** | 10,121 |
| Total revenue | **76,740** | 31,577 | **204,419** | 102,070 |
| Operating expenses | **50,505** | 23,552 | **144,670** | 76,252 |
| Gross margin | **$ 26,235** | $ 8,025 | **$ 59,749** | $ 25,818 |
| Gross margin %(1) | **34%** | 25% | **29%** | 25% |
| Utilization | | | | |
| Deep coil tubing rigs | | | | |
| Utilization | **111%** | 81% | **99%** | 63% |
| Operating hours | **23,524** | 3,740 | **53,675** | 8,870 |
| Service rigs | | | | |
| Utilization | **59%** | 51% | **52%** | 43% |
| Operating hours | **31,005** | 24,072 | **101,145** | 80,209 |

* Includes revenue from nitrogen and fluid pumpers and other ancillary equipment.

During 2011, Essential experienced substantial changes to its well servicing fleet. The Technicoil Acquisition significantly expanded the size and depth capabilities of the coil tubing fleet, enhanced the pumper fleet and increased the size of Essential's service rig fleet.

Coil tubing rig revenue increased significantly over the prior year. Through the Technicoil Acquisition and execution of its 2011 capital budget, Essential increased the size and scope of its coil tubing fleet. High demand for equipment capable of working on horizontal wells and quality crews contributed to improved utilization of the coil tubing fleet. Essential also benefited from expanding its fleet with high demand equipment. In total during 2011, the Company added 20 deep coil tubing rigs, 15 fluid pumpers and 2 nitrogen pumpers. These equipment additions enabled Essential to increase the operating hours as well as the average rate per hour of its coil tubing fleet and, as a result, generated considerably higher revenue. Operating margins improved due to increased utilization and hourly rates and the addition of the fluid pumper fleet, which allowed Essential to reduce its reliance on third party contractor equipment.

Service rig revenue increased during the year as Essential added 9 service rigs through the Technicoil Acquisition and increased utilization across the fleet. The strength of oil prices, increased maintenance requirements for oil wells and Essential's service rig operating locations near key resource plays within the WCSB all contributed to improved utilization and operating results for the service rig fleet during the year.

Other revenue increased over the prior year from the addition of hybrid drilling rigs. The Technicoil Acquisition added 5 hybrid drilling rigs capable of drilling with jointed pipe or coil tubing. Utilization of these rigs remained strong during the year as the rigs are focused on heavy oil drilling, oilsands coring and shallow directional drilling. Rod rig revenue also increased over the prior year as oil well workovers were in higher demand in 2011.

Both coil tubing rig revenue and service rig revenue increased significantly in the fourth quarter of 2011 compared to 2010 as a result of the Technicoil Acquisition, the completion of the 2011 capital program and an overall increase in utilization levels. Essential was able to improve gross margins during the quarter as increased demand for services and the change in mix of services generated improvements compared to the prior year.

**SEGMENT RESULTS - *DOWNHOLE TOOLS & RENTALS - CANADA***

| | Three months ended December 31, | | Year ended December 31, | |
|---|---|---|---|---|
| (Thousands) | **2011** | 2010 | **2011** | 2010 |
| Revenue | | | | |
| Tryton MSFS | **$ 11,034** | $ 8,059 | **$ 43,911** | $ 19,529 |
| Conventional downhole tools & rentals | **16,430** | 10,485 | **51,869** | 33,148 |
| Downhole tools & rentals | **27,464** | 18,544 | **95,780** | 52,677 |
| Wireline services | **4,651** | 3,822 | **12,972** | 11,854 |
| Total revenue | **32,115** | 22,366 | **108,752** | 64,531 |
| Operating expenses | **21,478** | 16,307 | **76,335** | 46,706 |
| Gross margin | **$ 10,637** | $ 6,059 | **$ 32,417** | $ 17,825 |
| Gross margin %(1) | **33%** | 27% | **30%** | 28% |

The Tryton MSFS and conventional downhole tools & rentals operations were a primary contributor to the increase in revenue and gross margins over the prior year. The Tryton MSFS product experienced continued growth in 2011 compared to 2010 as the industry continued to utilize this completion technique on horizontal wells. The emphasis on oil wells in the WCSB during 2011 generated significant growth in the conventional downhole tools business compared to the prior year. In addition, Essential's tubular and pipe rentals business, which primarily offers equipment related to conventional oil and gas drilling, also generated higher revenue in 2011 due to higher drilling activity compared to the prior year.

This segment's rapid pace of growth over the prior year continued with strong operating results during the fourth quarter. Experienced staff and high service levels contributed to Essential's continued success compared to the fourth quarter of the prior year in both its conventional downhole tools & rentals operations and the Tryton MSFS product. The strength of Q3 results and the completion of customer capital programs contributed to the sequential drop in Tryton MSFS activity during the quarter.

Essential sold its slickline assets in the first quarter of 2011 and sold the remaining electric wireline assets in February 2012.

## COLOMBIA

Essential services producing wells from its operating base in Barrancabermeja, Colombia. The current operational fleet in Colombia consists of 2 service rigs, 2 coil tubing rigs, 2 nitrogen pumpers and 3 rod rigs. Management is pleased with the results from the Colombian operation during its first year as Essential established an operational foothold and generated positive cash flow for the last half of 2011.

## GENERAL AND ADMINISTRATIVE

| (Thousands) | Three months ended December 31, 2011 | Three months ended December 31, 2010 | Year ended December 31, 2011 | Year ended December 31, 2010 |
|---|---|---|---|---|
| General and administrative expenses | **$ 3,929** | $ 3,343 | **$ 14,201** | $ 11,945 |
| As a % of revenue | **4%** | 6% | **4%** | 7% |

General and administrative costs have declined as a percentage of revenue in 2011 due to the increased size of the Company's operations after the Technicoil Acquisition and from realized corporate integration efficiencies. General and administrative expenses are comprised of wages, professional fees, office space and other administrative costs incurred at the corporate and operations level. General and administrative expenses increased in absolute dollars primarily due to additional administrative costs associated with Technicoil field operations.

## INCOME TAXES

| (Thousands) | Three months ended December 31, 2011 | Three months ended December 31, 2010 | Year ended December 31, 2011 | Year ended December 31, 2010 |
|---|---|---|---|---|
| Current income tax expense | **$ 3,098** | $ - | **$ 6,349** | $ - |
| Deferred income tax expense | **2,505** | 2,089 | **5,124** | 3,784 |
| Total income tax expense | **$ 5,603** | $ 2,089 | **$ 11,473** | $ 3,784 |

For the three months and year ended December 31, 2011, income tax expense increased compared to 2010 due to higher comparable earnings.

## WORKING CAPITAL

| (Thousands) | **December 31, 2011** | December 31, 2010 |
|---|---|---|
| Current assets | **$ 106,015** | $ 55,816 |
| Current liabilities, excluding current portion of long-term debt | **(45,264)** | (23,444) |
| Working capital | **$ 60,751** | $ 32,372 |
| Working capital ratio | **2.3:1** | 2.4:1 |

## CREDIT FACILITY

Essential's Credit Facility (the "Credit Facility") with its banking syndicate is comprised of a $20 million revolving operating loan and a $80 million revolving term loan facility with a $35 million accordion feature available on lender's consent. The $20 million revolving operating loan matures on May 31, 2012, is renewable annually at the lender's consent and is limited to 75% of Essential's accounts receivable less specific items. The $80 million revolving term loan facility matures on May 31, 2012, is renewable annually at the lender's consent and is limited to 60% of Essential's carrying value of property and equipment less certain indebtedness as defined in the Credit Facility agreement. To the extent the revolving term loan facility is not renewed, debt payments would be required over a two year period based on a three year amortization schedule. At December 31, 2011, the maximum of $100 million was available to Essential.

As at December 31, 2011, all financial debt covenants were satisfied and all banking requirements were up to date. Essential does not anticipate any financial resource or liquidity issues to restrict its future operating, investing or financing activities. On March 12, 2012, Essential had long-term debt outstanding of $52.0 million.

## EQUIPMENT EXPENDITURES

| | Three months ended December 31, | | Year ended December 31, | |
|---|---|---|---|---|
| (Thousands) | **2011** | 2010 | **2011** | 2010 |
| Well Servicing | **$ 11,383** | $ 7,753 | **$ 39,550** | $ 16,274 |
| Downhole Tools & Rentals | **1,540** | 1,695 | **6,203** | 3,049 |
| Corporate | **426** | 197 | **1,097** | 944 |
| Total equipment expenditures | **13,349** | 9,645 | **46,850** | 20,267 |
| Less proceeds on disposal of property and equipment | **(3,139)** | (773) | **(6,068)** | (1,650) |
| Net equipment expenditures[1] | **$ 10,210** | $ 8,872 | **$ 40,782** | $ 18,617 |

Essential classifies its equipment expenditures as growth capital[1], maintenance capital[1], and infrastructure capital[1]. The latter category includes information systems, operational facilities and leasehold improvements. Comparative equipment expenditures are as follows:

| | Three months ended December 31, | | Year ended December 31, | |
|---|---|---|---|---|
| (Thousands) | **2011** | 2010 | **2011** | 2010 |
| Growth capital[1] | **$ 9,496** | $ 5,230 | **$ 30,478** | $ 11,444 |
| Maintenance capital[1] | **3,340** | 3,800 | **14,665** | 7,340 |
| Infrastructure capital[1] | **513** | 615 | **1,707** | 1,483 |
| Total equipment expenditures | **$ 13,349** | $ 9,645 | **$ 46,850** | $ 20,267 |

## OUTLOOK

In the first quarter of 2012, Essential continues to experience strong activity due to its focus on providing services to oil and liquids-rich natural gas resource plays. Demand in the WCSB continues to be driven by oil prices and activity on horizontal wells which are more service intensive than vertical wells. Industry forecasts indicate that horizontal wells will account for over half of wells drilled in 2012, continuing the trend of increased focus on this well type. Horizontal well activity has improved the demand for Essential's deep coil tubing fleet, as these rigs work primarily on horizontal wells, and the Tryton MSFS, which allows producers to isolate sections of the well bore for multi-zone fracturing.

With high natural gas storage levels, warm winter weather throughout most of North America and strong shale gas drilling in the United States, the supply of natural gas has exceeded demand and the price for natural gas recently fell to 10 year lows. While some exploration and production companies have already responded by decreasing their natural gas production and 2012 spending budgets related to natural gas drilling, management believes the impact of this will be felt more in the United States than Canada. Drilling in Canada had already shifted from natural gas to oil over the last several years.

Essential's $60 million capital expenditure program for 2012 is focused on: adding 5 deep coil tubing rigs, building 6 nitrogen pumpers and 3 fluid pumpers and building 4 new service rigs - 2 being large well bore for oilsands applications. This equipment further expands the breadth and depth of the current fleet and is expected to go into service in 2012 and 2013.

After spring breakup, it is expected that operations will be similar to 2011 for the remainder of the year, understanding that global macro events and low natural gas prices could impact spending by producers, and possibly the demand for oilfield services for the latter part of the year.

Essential remains well-positioned with a strong balance sheet and high demand well services of coil tubing, service rigs and downhole tools to meet its customer's needs.

## SUMMARY OF QUARTERLY DATA

| ($Thousands, except per share amounts) | **Dec 31, 2011** | Sep 30, 2011 | Jun 30, 2011 | Mar 31, 2011 | Dec 31, 2010 | Sep 30, 2010 | Jun 30, 2010 | Mar 31, 2010 |
|---|---|---|---|---|---|---|---|---|
| Well servicing revenue: | | | | | | | | |
| Coil tubing | **43,945** | 36,349 | 9,871 | 14,131 | 11,373 | 8,859 | 4,939 | 8,507 |
| Service rigs | **25,060** | 20,969 | 9,606 | 23,873 | 17,747 | 12,796 | 8,394 | 19,334 |
| Other | **7,735** | 7,148 | 3,526 | 2,206 | 2,457 | 2,454 | 2,409 | 2,801 |
| Total well servicing | **76,740** | 64,466 | 23,003 | 40,210 | 31,577 | 24,109 | 15,742 | 30,642 |
| Downhole tools & rentals revenue: | | | | | | | | |
| Tryton MSFS | **11,034** | 16,459 | 7,195 | 9,223 | 8,059 | 6,005 | 3,104 | 2,361 |
| Conventional downhole tools & rentals | **16,430** | 13,778 | 8,839 | 12,822 | 10,485 | 8,537 | 5,037 | 9,089 |
| Downhole tools & rentals | **27,464** | 30,237 | 16,034 | 22,045 | 18,544 | 14,542 | 8,141 | 11,450 |
| Wireline | **4,651** | 3,079 | 1,081 | 4,161 | 3,822 | 2,593 | 1,311 | 4,128 |
| Total downhole tools & rentals | **32,115** | 33,316 | 17,115 | 26,206 | 22,366 | 17,135 | 9,452 | 15,578 |
| Colombia | **2,048** | 1,634 | 361 | - | - | - | - | - |
| Total revenue | **110,903** | 99,416 | 40,479 | 66,416 | 53,943 | 41,244 | 25,194 | 46,220 |
| Gross margin(1) | **35,758** | 31,100 | 3,077 | 16,652 | 14,636 | 10,186 | 3,150 | 13,380 |
| Gross margin %(1) | **32%** | 31% | 8% | 25% | 27% | 25% | 13% | 29% |
| EBITDA(1) | **31,829** | 27,293 | (137) | 13,401 | 11,293 | 7,248 | 413 | 10,450 |
| EBITDA %(1) | **29%** | 27% | 0% | 20% | 21% | 18% | 2% | 23% |
| Net income (loss) attributable to shareholders of Essential | **17,559** | 13,678 | (6,364) | 6,248 | 6,121 | 2,663 | (2,466) | 5,679 |
| Per share – basic and diluted | $**0.14** | $0.11 | $(0.07) | $0.09 | $0.09 | $0.04 | $(0.03) | $0.09 |
| Total assets | **421,590** | 411,084 | 370,897 | 190,926 | 173,803 | 160,797 | 153,490 | 158,449 |
| Total long-term debt | **63,576** | 79,230 | 63,459 | 7,392 | 396 | 471 | 695 | 875 |
| Equity attributable to shareholders of Essential | **288,828** | 271,561 | 256, 999 | 156,694 | 149,660 | 143,989 | 141,138 | 143,384 |
| **Utilization** | | | | | | | | |
| Coil tubing rigs – deep | **111%** | 104% | 37% | 85% | 81% | 70% | 33% | 62% |
| Coil tubing rigs – other | **30%** | 25% | 18% | 34% | 35% | 38% | 29% | 40% |
| Service rigs | **59%** | 54% | 27% | 64% | 51% | 40% | 26% | 55% |
| Hybrid drilling rigs* | **47%** | 48% | 47% | - | - | - | - | - |
| **Operating Hours** | | | | | | | | |
| Coil tubing rigs – deep | **23,524** | 21,938 | 3,638 | 4,575 | 3,740 | 2,305 | 1,181 | 1,644 |
| Coil tubing rigs – other | **6,778** | 5,813 | 3,805 | 7,033 | 8,704 | 8,647 | 6,530 | 9,352 |
| Service rigs | **31,005** | 28,201 | 13,229 | 28,710 | 24,072 | 18,752 | 12,257 | 25,128 |
| Hybrid drilling rigs | **5,192** | 5,337 | 1,696 | - | - | - | - | - |
| **Equipment fleet **** | | | | | | | | |
| **Canada** | | | | | | | | |
| Coil tubing rigs | **49** | 48 | 48 | 32 | 32 | 32 | 32 | 30 |
| Service rigs | **57** | 57 | 58 | 52 | 51 | 51 | 51 | 51 |
| Nitrogen pumpers | **10** | 9 | 8 | 8 | 9 | 10 | 10 | 7 |
| Fluid pumpers | **15** | 12 | 6 | - | - | - | - | - |
| Hybrid drilling rigs | **5** | 5 | 5 | - | - | - | - | - |
| Rod rigs | **14** | 14 | 14 | 20 | 20 | 23 | 23 | 23 |
| **Colombia** | | | | | | | | |
| Coil tubing rigs | **2** | 2 | 2 | 2 | 1 | - | - | - |
| Service rigs | **2** | 1 | 1 | 1 | 1 | - | - | - |
| Nitrogen pumpers | **2** | 2 | 2 | 2 | 1 | - | - | - |
| Rod rigs | **3** | 3 | 3 | 3 | 3 | - | - | - |

* Hybrid drilling rig utilization is calculated using a 24 hour day.
** Fleet data represents the number of units at the end of the period.

**ESSENTIAL ENERGY SERVICES LTD.**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

| *(Thousands)* | **As at December 31 2011** | As at December 31 2010 | As at January 1 2010 |
|---|---|---|---|
| **Assets** | | | |
| Current | | | |
| Cash | **$ 164** | $ 2,392 | $ 1,080 |
| Trade and other receivables | **85,013** | 40,160 | 22,899 |
| Inventories | **17,819** | 10,587 | 9,194 |
| Prepayments | **3,019** | 2,677 | 1,853 |
| | **106,015** | 55,816 | 35,026 |
| Non-current | | | |
| Property and equipment | **213,418** | 109,710 | 102,964 |
| Intangible assets | **43,096** | 3,122 | 3,853 |
| Goodwill | **57,425** | - | - |
| Assets held for sale | **-** | - | 1,215 |
| Deferred tax assets | **1,636** | 5,155 | 7,426 |
| | **315,575** | 117,987 | 115,458 |
| Total assets | **$ 421,590** | $ 173,803 | $ 150,484 |
| **Liabilities** | | | |
| Current | | | |
| Trade and other payables | **$ 39,913** | $ 23,444 | $ 9,425 |
| Income taxes payable | **5,234** | - | - |
| Current portion of long-term debt | **14,603** | 333 | 3,866 |
| Current portion of equity taxes | **117** | - | - |
| | **59,867** | 23,777 | 13,291 |
| Non-current | | | |
| Long-term debt | **48,973** | 63 | 13,735 |
| Equity taxes | **232** | - | - |
| Deferred tax liabilities | **23,615** | - | - |
| Liability for share-based compensation | **-** | - | 794 |
| | **72,820** | 63 | 14,529 |
| Total liabilities | **132,687** | 23,840 | 27,820 |
| **Equity** | | | |
| Share capital | **257,775** | 150,798 | - |
| Unitholders capital | **-** | - | 136,623 |
| Retained earnings (accumulated deficit) | **28,651** | (2,343) | (13,959) |
| Other reserves | **2,402** | 1,205 | - |
| Equity attributable to shareholders of Essential | **288,828** | 149,660 | 122,664 |
| Non-controlling interest | **75** | 303 | - |
| Total equity | **288,903** | 149,963 | 122,664 |
| Total liabilities and equity | **$ 421,590** | $ 173,803 | $ 150,484 |

**ESSENTIAL ENERGY SERVICES LTD.**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| *(Thousands, except per share amounts)* | For the year ended December 31, 2011 | 2010 |
|---|---|---|
| Revenue | **$ 317,214** | $ 166,601 |
| Operating expenses | **230,627** | 125,249 |
| Gross margin | **86,587** | 41,352 |
| General and administrative expenses | **14,201** | 11,945 |
| | **72,386** | 29,407 |
| Depreciation and amortization | **21,798** | 12,777 |
| Share-based compensation | **1,504** | 761 |
| Equity taxes | **506** | - |
| Other (income) expense | **1,224** | (624) |
| Operating profit | **47,354** | 16,493 |
| Transaction costs | **3,018** | - |
| Finance costs | **2,088** | 720 |
| Net income before income tax | **42,248** | 15,773 |
| Current income tax expense | **6,349** | - |
| Deferred income tax expense | **5,124** | 3,784 |
| Total income tax expense | **11,473** | 3,784 |
| Net income | **30,775** | 11,989 |
| Other comprehensive loss: | | |
| Unrealized foreign exchange loss on foreign operations | **(119)** | (537) |
| Deferred income tax recovery (expense) on unrealized foreign exchange | **(47)** | 151 |
| Total other comprehensive loss | **(166)** | (386) |
| Comprehensive income | **$ 30,609** | $ 11,603 |
| Net income attributable to: | | |
| Shareholders of Essential | **$ 31,122** | $ 11,997 |
| Non-controlling interest | **(347)** | (8) |
| | **$ 30,775** | $ 11,989 |
| Comprehensive income attributable to: | | |
| Shareholders of Essential | **$ 30,965** | $ 11,681 |
| Non-controlling interest | **(356)** | (78) |
| | **$ 30,609** | $ 11,603 |
| Earnings per share | | |
| Basic, attributable to shareholders of Essential | **$ 0.31** | $ 0.18 |
| Diluted, attributable to shareholders of Essential | **$ 0.30** | $ 0.17 |

**ESSENTIAL ENERGY SERVICES LTD.**
**CONSOLIDATED STATEMENT OF CASH FLOWS**

| *(Thousands)* | For the year ended December 31, **2011** | 2010 |
|---|---|---|
| **Operating activities:** | | |
| Net income | **$ 30,775** | $ 11,989 |
| Non-cash adjustments to reconcile net income for the period to net cash flow: | | |
| Depreciation and amortization | **21,798** | 12,777 |
| Deferred income tax expense | **5,124** | 3,784 |
| Share-based compensation | **1,504** | 761 |
| Provision for impairment of trade accounts receivable | **473** | 9 |
| Finance costs | **2,088** | 720 |
| (Gain) loss on disposal of assets | **1,580** | (614) |
| Operating cash flow before changes in working capital | **63,342** | 29,426 |
| Working capital adjustments: | | |
| Increase in trade and other accounts receivable before provision | **(31,964)** | (17,270) |
| Increase in inventories | **(4,933)** | (1,393) |
| Increase in prepayments | **(156)** | (824) |
| Increase in trade and other accounts payable | **1,533** | 14,019 |
| Increase in current taxes payable | **5,813** | - |
| Increase in equity taxes | **349** | - |
| Net cash flows from operating activities | **33,984** | 23,958 |
| **Investing activities:** | | |
| Purchase of property and equipment | **(46,850)** | (20,267) |
| Business acquisition | **(56,582)** | - |
| Proceeds on disposal of equipment | **6,068** | 1,650 |
| Net cash flows used in investing activities | **(97,364)** | (18,617) |
| **Financing activities:** | | |
| Increase (decrease) in long-term debt | **62,954** | (17,205) |
| Issuance of share capital, net of costs | **-** | 13,813 |
| Proceeds on exercise of share options | **292** | 97 |
| Finance costs | **(2,088)** | (720) |
| Net cash flows from (used in) financing activities | **61,158** | (4,015) |
| Foreign exchange gain on cash held in a foreign currency | **(6)** | (14) |
| Change in cash | **(2,228)** | 1,312 |
| Cash, beginning of the period | **2,392** | 1,080 |
| Cash, end of period | **$ 164** | $ 2,392 |

### [1] Non-IFRS Measures

Throughout this new release, certain terms that are not specifically defined in IFRS are used to analyze Essential's operations. In addition to the primary measures of net earnings and net earnings per share in accordance with IFRS, Essential believes that certain measures not recognized under IFRS assist both Essential and the reader in assessing performance and understanding Essential's results. Each of these measures provides the reader with additional insight into Essential's ability to fund principal debt repayments and capital programs. As a result, the method of calculation may not be comparable with other companies. These measures should not be considered alternatives to net earnings and net earnings per share as calculated in accordance with IFRS.

Gross margin % – This measure is considered a primary indicator of operating performance as calculated by gross margin divided by revenue.

EBITDA (Earnings before finance costs, income taxes, equity taxes, depreciation, amortization, transaction costs, non-controlling interest earnings, losses or gains on disposal of equipment and share-based compensation) – This measure is considered an indicator of Essential's ability to generate funds flow in order to fund required working capital, service debt and fund capital programs.

EBITDA % – This measure is considered an indicator of Essential's ability to generate funds flow as calculated by EBITDA divided by revenue.

Funds flow or funds flow from operations – This measure is an indicator of Essential's ability to generate funds flow in order to fund working capital, principal debt repayments and capital programs. Funds flow or funds flow from operations is defined as cash flow from operations before changes in non-cash operating working capital. This measure is useful in assessing Essential's operational cash flow as it provides cash generated in the period excluding the timing of non-cash operating working capital. This reflects the ability of the operations of Essential to meet the above noted funding requirements.

Growth capital – Growth capital is capital spending which is intended to result in incremental increases in revenue. Growth capital is considered to be a key measure as it represents the total expenditures on equipment expected to add incremental revenues and funds flow to Essential.

Maintenance capital – Equipment additions that are incurred in order to refurbish or replace previously acquired equipment less proceeds on the disposal of retired equipment. Such additions do not provide incremental increases in revenue. Maintenance capital is a key component in understanding the sustainability of Essential's business as cash resources retained within Essential must be sufficient to meet maintenance capital needs to replenish the assets for future cash generation.

Infrastructure capital – Additions that are incurred in order to maintain the Company's business systems and operating facilities. Such additions do not provide incremental increases in revenue.

Net equipment expenditures – This measure is equipment expenditures less proceeds on the disposal of equipment. Essential uses net equipment expenditures to assess net cash flows related to the financing of Essential's oilfield services equipment.

Essential's Management Discussion & Analysis and Financial Statements will be available on SEDAR at www.sedar.com and on Essential's website at www.essentialenergy.ca

## ABOUT ESSENTIAL

Essential operates the largest coil tubing well service fleet in Canada with 49 coil tubing rigs and a fleet of 57 service rigs. Essential is a growth-oriented corporation that provides oilfield services to oil and gas producers in western Canada for servicing producing wells and new drilling activity. Essential also sells, rents and services downhole tools and equipment including the Tryton Multi-Stage Fracturing System. Further information can be found at www.essentialenergy.ca.

## FORWARD-LOOKING STATEMENTS AND INFORMATION

This news release contains forward-looking statements and forward-looking 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 including expectations regarding capital spending, in-service dates of new equipment, expectations regarding the impact of recent equipment purchases, expectations of future cash flow and earnings, expectations regarding Essential's ability to continue to pay dividends in the future, expectations regarding the tax treatment of the dividends for Canadian tax purposes, expectations with respect to the demand for and price of oil and liquids-rich natural gas, expectations regarding the level and type of drilling and production activity in the Western Canadian Sedimentary Basin, expectations regarding the demand for services, expectations regarding the business, operations and revenues of the Company in addition to general economic conditions, and expectations regarding Essential's ability to meet the changing needs of the Western Canadian Sedimentary Basin market.

Although the Company believes that the expectations and assumptions on which such forward-looking statements and information are reasonable, undue reliance should not be placed on the forward-looking statements and information because the Company can give no assurance that such statements and information 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, the risks associated with the oilfield services sector (e.g. demand, pricing and terms for oilfield services; current and expected oil and natural gas prices; exploration and development costs and delays; reserves discovery and decline rates; pipeline and transportation capacity; weather, health, safety and environmental risks); integration of acquisitions, competition, and uncertainties resulting from potential delays or changes in plans with respect to acquisitions, development projects or capital expenditures and changes in legislation, including but not limited to tax laws, royalties, incentive programs and environmental regulations; stock market volatility and the inability to access sufficient capital from external and internal sources; the ability of the Company's subsidiaries to enforce legal rights in foreign jurisdictions; general economic, market or business conditions; global economic events; changes to Essential's financial position and cash flow; the availability of qualified personnel, management or other key inputs; currency exchange fluctuations; changes in political and security stability; risks associated with government regulations and environmental health and safety matters and other unforeseen conditions which could impact the use of equipment and services supplied by Essential in Colombia; and other unforeseen conditions which could impact the use of services supplied by the Company. Accordingly, readers should not place undue reliance on the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive.

Additional information on these and other factors that could affect the Company's financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) for the Company. The forward-looking statements and information contained in this news release are made as of the date hereof and the Company 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.

## For further information, please contact:


| | | |
|---|---|---|
| Garnet K. Amundson | Jeff B. Newman | Karen Perasalo |
| President and CEO | Chief Financial Officer | Investor Relations |
| Phone: (403) 513-7272 | Phone: (403) 513-7272 | Phone: (403) 513-7272 |
| service@essentialenergy.ca | service@essentialenergy.ca | service@essentialenergy.ca |


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