



November 14, 2008

Dear Fellow Unitholders:

This year has been filled with significant change. This has included our merger with Builders, the sale of our Transport division and, from a broader market perspective, unprecedented commodity price volatility and changes in world credit markets.

Starting in January, 2008 with the announcement of the merger, we took decisive steps to ensure our company would not only survive, but improve. The merger of Essential and Builders brought together two growth-oriented trusts and provided the opportunity to realize approximately \$8 million of synergies in 2009. Unfortunately, even after the merger the combined entity continued to have high levels of debt and a high distribution payout ratio.

Our decision to sell the Transport division was a good and timely one – especially as we see available credit from the banks continue to tighten. I believe the price we received was fair and this sale provided Essential with the opportunity to become a pure-play downhole services trust and significantly reduce our debt. As the sale reduced operating cash flow, we also needed to reduce the monthly distribution obligation. Keeping in mind that many of our oilfield services peers had completely eliminated their distribution, the board decided to re-establish Essential's distribution at a level that would significantly reduce the payout ratio.

Through all of this change, Essential has become a stronger oilfield services company that is well positioned to deal with current challenges facing the sector. Essential is now a more focused company with a strong balance sheet. We have reduced costs and streamlined our service lines. On November 13, 2008, debt outstanding was \$19.7 million and there was no debt on a net of working capital basis.

In spite of the changing macroeconomic conditions and the looming Alberta Royalty changes, sector activity in the Western Canadian Sedimentary Basin ("WCSB") in the third quarter was better than last year. Drilling rig utilization rates in the WCSB averaged 46% for the third quarter of 2008 compared to 38% in the third quarter of 2007. Drilling rig utilization rates act as a barometer for oilfield service activity. As expected, the third quarter was significantly more active than the second quarter which is always hampered by spring break-up conditions and had 19% drilling rig utilization rates. Industry wide service rig utilization was 53% in the third quarter of 2008, slightly ahead of service rig utilization of 50% in the third quarter of 2007.

Essential reported a very solid third quarter with EBITDAS of \$8.6 million. Looking at it from a continuing operations perspective, for the nine months ending September 30, 2008, EBITDAS was \$20.7 million. This includes Builders operations since January 1, but excludes results from the Transport division which was sold on July 2, 2008. Similar to the general industry, our field activity in the third quarter of 2008 was busier than the same period of 2007. In the Well Servicing division, Essential reported service rig utilization of 52%, basically on par with the industry average for the quarter. During the third quarter we experienced increased demand for service rig and coil tubing services in southeastern Saskatchewan and have set up a base of operations in that region. In the Wireline & Rentals division, customer demand remained strong

throughout the quarter, particularly in the downhole tool and rental businesses where the type and nature of the drilling programs undertaken by clients resulted in increased demand for these service offerings.

Looking forward, the slowdown in the U.S. economy and global financial issues are expected to negatively impact the demand for oil and natural gas, as reflected in the current level of these commodity prices. The decline in commodity prices and reduced access to capital is anticipated to have a constraining effect on the level of spending by our customers, the exploration and production companies. A reduction in such spending unfortunately translates into a reduction in the demand for some of Essential's services. Conversely, the recent decline in the Canadian dollar relative to the U.S. dollar is positive for the Canadian oil and natural gas industry as a significant portion of revenues for the producers in the WCSB are denominated in U.S. dollars while the expenses are primarily in Canadian dollars.

Approximately 50% of Essential's services are focused on production-related activities. Even if there is a further slowdown in drilling activity, these services are still required to support over 200,000 producing wells in the WCSB. While production work is not immune to a slow-down in activity, as there is still significant competition for services, it does provide a level of more predictable revenue.

Alberta drilling activity continues to decline primarily as a result of the new higher royalties that will take effect in 2009. We sincerely hope the Alberta government reconsiders these punitive royalty levels which are driving capital out of the province. Drilling activity continues to be active in northeast British Columbia and Saskatchewan with increases in the weekly active rig count of 85% and 51% respectively in the third quarter of 2008 relative to the third quarter of 2007. This activity is expected to continue into 2009, as there are some significant resource plays in these regions. Essential has service rigs and coil tubing units deployed in the Fort St John region and north to Fort Nelson, British Columbia. As mentioned, Essential is becoming more active in Saskatchewan with equipment working in the southeast region of the province.

During this turbulent time our unit price has been hit hard, as have many others in our sector. In light of this, we implemented a normal course issuer bid at the end of October. A more challenging 2009 may create growth opportunities for Essential. Our balance sheet will help to ensure that Essential successfully navigates what looks to be another year of slower activity. Going forward, management will continue to manage debt and spending prudently.

Management continues to believe in the long-term fundamentals for natural gas and the demand for oilfield services in the WCSB. Over the longer term, the fundamentals still point to an increasing demand for natural gas. The high production decline rates in the WCSB will require more drilling to maintain current production levels. We expect to be a strong participant in that rebound.

Sincerely,

Garnet K. Amundson  
President and Chief Executive Officer  
Essential Energy Services Trust