



Dear Fellow Unitholders,

There is no question that 2009 was a very difficult year in the oilfield services sector. As I write this letter, in March 2010, I believe that the worst is behind us. However, until there is fundamental improvement in both the price of and market for natural gas, I do not anticipate a rapid return to the hectic pace of 2005 and 2006. I am very pleased that Essential not only survived the worst of the downturn but emerges as a financially strong company with many exciting opportunities on the horizon.

2009 In Review

The global economic crisis greatly impacted the demand and therefore the price for oil and natural gas. Low commodity prices and limited access to capital constrained spending budgets of our customers. This directly reduced the demand for oilfield services for both drilling related and production related activity. There was too much equipment in the Western Canadian Sedimentary Basin ("WCSB") for the level of activity, resulting in extreme pricing pressure for oilfield services.

Alberta was incrementally impacted by the royalty changes and the resulting "anywhere but Alberta" mentality as many producers and service companies sought opportunity in B.C., Saskatchewan and outside of North America as they awaited clarity on the royalty review. With the vast majority of Essential's operations being in Alberta, this hit us very hard.

The slowdown hit the sector in mid-February when activity was abruptly curtailed before the weather induced spring breakup occurred. We called this "economic breakup". Sector utilization rates fell to near 20 year lows and generally speaking, activity remained slow until November when a number of influences including oil price stability, improving natural gas prices, Alberta short term royalty incentives, lower service pricing and increased access to capital by our customers had a positive impact on activity.

While service rig and wireline activity was particularly impacted by the slowdown, notably in the second and third quarters, we were pleased with the success of our new multi-stage fracturing service, the introduction of our deep coil tubing rig and the ongoing success of our coil tubing operations in Saskatchewan.

Essential's Decisive Response

Throughout the year, Essential said it would take steps to manage costs prudently and preserve cash as necessary to create a foundation for industry recovery. I believe we have succeeded in this effort. We began the year with a strong balance sheet and we finished the year with a strong balance sheet.

Aggressive and proactive cost reduction initiatives which we undertook were broad and deep. Throughout the year we saved \$10 million in operating and general and administrative costs. Considering our 2009 EBITDAS was \$10 million, this was significant. Our employees were greatly impacted and I am very proud of the steps they took to reduce costs through a variety of efforts including salary reductions, reduced work weeks, improved operating efficiencies and

other difficult cost saving steps. These actions had a meaningful and direct impact on the bottom line.

I will not ignore the impact on our unitholders as Essential made the difficult decision to eliminate the distribution in November 2009. I continue to believe this was the right decision for the long-term success of our company.

Capital spending in the year was modest and we focused on new service offerings in areas of increased demand including deep coil tubing and multi-stage fracturing services. The excess equipment in the WCSB motivated us to rationalize our fleet and we permanently parked a number of older service, coil and rod rigs. We were early with this decision, but I believe more equipment in the industry needs to be parked or redeployed out of the WCSB to see service pricing improve in a meaningful way.

Where Do We Go From Here?

There are a number of indications that activity has bottomed and the sector is emerging from the downturn. Activity levels to-date in 2010 are higher than activity levels in the first quarter of 2009, however, pricing for services are lower than a year ago and that will impact margins for many services.

But is the downturn really over? The spending ability of our customers has increased, oil prices are significantly higher than a year ago and natural gas prices are ahead of where they were a year ago. However, the industry will continue to keep a close eye on natural gas storage levels which are currently around the 5-year average. There is also a feeling of hope in Alberta as the government is expected to complete their royalty competitiveness review shortly and many are optimistic the decisions will stimulate activity in the province.

Any optimism for 2010 must be kept in perspective as the various industry projections for well counts, while generally ahead of 2009, are still far behind the number of wells drilled in 2005 to 2008. We are hopeful that looking beyond 2010, the sector may approach those levels again.

For Essential, utilization levels in January and February have been relatively good, particularly for service rigs and multi-stage fracturing, but again, pricing is lower than it was a year ago. Activity in March is uncertain at this time as weather is warming and the province of Alberta began implementing roadbans on March 1 across the southern half of the province.

Essential continues to respond to notable changes in the industry including the shift from conventional vertical drilling to horizontal and directional drilling as well as the increased interest in the Cardium and Viking plays in Alberta. Our service rigs, coil tubing rigs and multi-stage fracturing services are capable of working on horizontal and directional wells and many of our customers are becoming active in the Cardium and Viking plays.

Over the last year we have determined it is in the best interest of the company to look beyond our traditional geographic boundaries and we are considering expansion opportunities into Colombia and/or Mexico. We recently hired a Director of Business Development for Latin America and discussions to date suggest there may be real opportunities to redeploy some of our equipment and expertise to this region.

Essential's initial capital spending program announced for 2010 is modest and is intended to preserve the operating capacity of the equipment fleet. Should activity levels and market conditions continue to improve, we will increase the capital program to take advantage of

opportunities for future growth. Ideas we are monitoring include coil tubing equipment for deeper Alberta plays and modifications to portions of our fleet to be suitable for Latin American operations. Our balance sheet remained strong through the year and as industry activity increases, the flexibility that comes with our strong financial position becomes a true competitive advantage.

We are on track for the previously announced conversion to a growth-oriented corporation with the intention to have it completed by the end of April 2010, subject to unitholder and regulatory approval. Among the reasons to convert include removal of the uncertainty that exists in the income trust market today and possibly improved access to capital.

I look back at 2009 and feel a true sense of accomplishment and I look forward into 2010 with excitement as we are planning for a steady increase in activity starting later in the year. I take comfort in knowing that Essential has been able to and will continue to react positively to challenging and changing conditions.

Finally, I would like to express my gratitude to our customers, employees, investors and the Board – all of whom stayed with us and sacrificed much in 2009, so we can all enjoy what we think will be a more active and prosperous 2010 and beyond.

Sincerely,

Garnet K. Amundson
President & CEO
March 10, 2010