

For Immediate Release: November 12, 2007

## ESSENTIAL ENERGY SERVICES TRUST RELEASES THIRD QUARTER RESULTS AND ANNOUNCES REDUCED NOVEMBER DISTRIBUTION

**Calgary, Alberta** – (TSX: ESN.UN) Essential Energy Services Trust (“Essential”, or the “Trust”) releases the operational and financial results for the three and nine months ended September 30, 2007 and announces it has filed the complete Management Discussion and Analysis and unaudited interim consolidated financial statements for the three and nine months ended September 30, 2007 on SEDAR. An electronic copy of these documents may be obtained on the Trust’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

These operational and financial results contain the results of the energy services division of Avenir Diversified Income Trust (“Avenir”, TSX: AVF.UN) for the periods prior to May 31, 2006.

### Third Quarter 2007 Financial Highlights

(Unaudited)	Three Months Ended September 30			Nine Months Ended September 30		
	2007	2006	% Change	2007	2006	% Change
<b>\$ thousands, except per unit amounts and margins</b>						
<b>Financial Results</b>						
Revenue	27,675	25,267	10%	85,674	63,517	35%
EBITDAC <sup>1</sup>	6,984	7,266	(4)%	20,126	19,532	3%
EBITDAC margin (%) <sup>1</sup>	25%	29%	(14)%	23%	31%	(26)%
Funds from operations <sup>2</sup>	5,760	6,293	(8)%	16,210	17,787	(9)%
Net income	1,767	2,421	(27)%	2,275	7,135	(68)%
Net income margin (%)	6%	10%	(40)%	3%	11%	(73)%
Distributions to Avenir	-	-	-	-	7,190	n/a
Distributions to unitholders	8,782	6,806	29%	23,626	9,059	160%
Payout ratio <sup>3</sup>	152%	108%	41%	146%	91%	60%
<b>Unit Information (Diluted)</b>						
Weighted average number of units outstanding	35,268	27,217	30%	32,182	27,198	18%
EBITDAC per unit	0.20	0.27	(26)%	0.63	0.72	(13)%
Funds from operations per unit	0.16	0.23	(30)%	0.50	0.65	(23)%
Net income per unit	0.05	0.09	(44)%	0.07	0.26	(73)%
	<b>Sep. 30, 2007</b>	<b>Dec. 31, 2006</b>				
<b>Financial Position and Liquidity</b>						
Working capital (excluding debt) <sup>4</sup>	4,908	7,596				
Working capital ratio <sup>4</sup>	1.3:1	1.4:1				
Net debt <sup>5</sup>	51,503	49,068				
Unitholders’ equity	159,506	147,007				

Notes 1 to 5 – Please refer to the Notes to the Financial Highlights at the end of this release.

## Overview

The third quarter of 2007 started off with a return to normal seasonal utilization in July following an unusually long spring break-up in the second quarter of 2007. However beginning in August and continuing through September, utilization rates fell and have remained unusually low due to a combination of wet weather, low natural gas prices due to high natural gas storage levels in North America and a rising Canadian dollar to U.S. dollar exchange rate, as well as uncertainty introduced by the Alberta government's proposed new royalty framework for the oil and gas industry. Despite the challenging environment, Essential managed to increase revenue in the third quarter by 10% compared to the third quarter of 2006 as a result of growth through acquisitions. In its Rig division, Essential continues to see a significant slow down in demand for its coil tubing and swabbing services in southern Alberta due to depressed natural gas prices as revenue fell 31% and 51%, respectively. However, activity levels remained robust for Essential's rod rig (flush-by) services as these rigs focus entirely on conventional oil producing wells where high oil prices support the increase in demand for these services. Essential saw a 66% increase in revenue for rod rigs (flush-by's) even though the fleet has only increased 50% compared to the third quarter of 2006. The Transport division also increased revenue in the third quarter by 35% as a result of the significant increase in fleet size due to acquisitions compared to the third quarter of 2006.

During this period, Essential moved aggressively to contain costs as evidenced by our ability to maintain EBITDAC margins of 25% in this significantly slower environment. On June 1, 2007, the Trust combined its Jacar operations in Alberta with its Richmond operations in Saskatchewan as well as combining the swab rig operations of HK Well Service into the Cardinal Well Services rod rig operations. Further consolidation of the coil tubing division will also provide savings and greater efficiency in the fourth quarter and beyond. "Management has positioned the Trust to not only survive this downturn, but prosper and eventually emerge as an even stronger operation in the future," said James Burns, President and Chief Executive Officer.

Throughout the third quarter, the Trust maintained its monthly distribution to unitholders at \$0.083 per unit or \$8.8 million for the quarter.

## Outlook

Increasing natural gas production in the lower 48 states of the U.S. and high levels of liquefied natural gas ("LNG") imports this summer has resulted in record natural gas storage levels in North America, which has put downward pressure on natural gas prices. Meanwhile, as crude oil prices set new records, it is important to remember that western Canada is a natural gas and oilsands dominated basin with a relatively smaller proportion of conventional oil production. As an indication of activity levels for 2008, Canadian conventional oil and natural gas drilling is forecasted by the Canadian Association of Oilwell Drilling Contractors ("CAODC") and the Petroleum Services Association of Canada ("PSAC") to decrease by 17% compared to 2007 and 38% when compared to 2006. While similar statistics and forecasts for production service activity levels are not readily available, Essential believes that such activity will also slow down as our customers focus on only those activities providing the greatest economic return. In the midst of this already challenging business environment, the Alberta government has proposed significant increases to the royalties paid by certain of our customers, the oil and gas producers in Alberta. Some of Essential's customers have already announced dramatic cuts to their 2008 budgets; in some cases by 30% to 50% for natural gas drilling. Essential saw its utilization levels drop immediately after the September 18, 2007 release of the so called "Our Fair Share" report by the Alberta Royalty Review Panel and recovery since the October 25, 2007 announcement by the Alberta government has been negligible. The new royalty framework proposal is still a recent development and the potential impact has yet to be fully determined on Essential's operations.

Given this difficult operating environment, Essential will continue to focus on costs while pursuing every opportunity to improve revenue. In October, Essential expanded its field operations in

Slave Lake, Alberta to focus more of its rod rigs in the conventional oil fields surrounding this area. On November 1, 2007, Essential combined its two coil tubing business units of Endless Tubing Services and Kodiak Coil Tubing into one business unit called Essential Coil Tubing Services. In the last 4 months, Essential has consolidated the number of business units it operates from 10 to 7 business units. As well, Essential has been assessing opportunities to move equipment and personnel to British Columbia and Saskatchewan in 2008 where activity levels, according to PSAC, are expected to increase 10% and 3% respectively as Essential's customers redeploy capital and operating expenditures out of Alberta. In November 2007, Essential relocated certain coil tubing equipment to Estevan, Saskatchewan to capitalize on the conventional light oil projects in this area.

### **Distribution for November 2007**

Management believes these are times when it is particularly important to retain sufficient cash to improve operations and liquidity in what will likely be a competitively priced environment. Such cash retention will allow Essential to take advantage of opportunities that may arise in the near future resulting in a stronger Trust. Given the uncertainty, low current activity levels and reduced activity forecasts for 2008, Essential feels it is prudent to manage its cash distributions to unitholders conservatively and therefore announces that its cash distribution for the month of November 2007 will be \$0.05 per trust unit, a reduction of \$0.033 per unit or 40% from previous monthly distributions. The distribution will be paid on December 17, 2007 to unitholders of record on November 30, 2007. The ex-distribution date is November 28, 2007. Essential expects this distribution level will result in a 2008 payout ratio on funds from operations of approximately 65% to 70%.

### **Selected Financial Information**

Selected financial information for the three and nine months ended September 30, 2007 are attached below with the detailed unaudited interim consolidated financial statements and the Management Discussion and Analysis available on the company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) or the Trust's website at [www.essentialenergy.ca](http://www.essentialenergy.ca).

Essential Energy Services Trust

**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

As at,  
(\$ in thousands)

	September 30, 2007	December 31, 2006
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash	920	1,110
Accounts receivable and prepaid expenses	21,020	24,214
Materials and supplies	1,924	1,782
	<u>23,864</u>	<u>27,106</u>
<b>Property and equipment</b>	100,809	96,741
<b>Goodwill and intangibles</b>	110,200	99,334
	<u>234,873</u>	<u>223,181</u>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
<b>Current</b>		
Bank indebtedness	11,100	10,940
Accounts payable and accrued liabilities	4,928	6,269
Distributions payable	2,928	2,301
Current portion of capital lease obligations	55	235
Current portion of long-term debt	6,661	11,347
	<u>25,672</u>	<u>31,092</u>
<b>Capital lease obligations</b>	-	17
<b>Long-term debt</b>	49,676	45,065
<b>Future income tax liability</b>	19	-
	<u>75,367</u>	<u>76,174</u>
<b>Unitholders' equity</b>		
Unitholders' capital	192,041	159,423
Contributed surplus	1,874	642
Accumulated deficit	(34,409)	(13,058)
	<u>159,506</u>	<u>147,007</u>
	<u>234,873</u>	<u>223,181</u>

Essential Energy Services Trust

**CONSOLIDATED STATEMENTS OF  
OPERATIONS, COMPREHENSIVE INCOME AND  
ACCUMULATED DEFICIT  
(Unaudited)**

(\$ in thousands)

	For the			
	Three months ended		Nine months ended	
	September 30, 2007 \$	September 30, 2006 \$	September 30, 2007 \$	September 30, 2006 \$
<b>REVENUE</b>				
Energy services revenue	27,638	25,234	85,679	63,490
Gain (loss) on sale of property and equipment	37	33	(5)	27
	27,675	25,267	85,674	63,517
<b>EXPENSES</b>				
Operating expenses	16,192	15,038	50,919	35,634
General and administrative	4,499	2,963	14,629	8,351
Stock-based compensation	436	294	1,232	392
Interest on short-term debt and bank fees	203	303	1,021	1,012
Interest on long-term debt	984	637	2,900	706
Depreciation and amortization	4,208	3,611	12,679	9,876
	26,522	22,846	83,380	55,971
Income before income taxes and non-controlling interest	1,153	2,421	2,294	7,546
Income taxes				
Future income taxes (recovery)	(614)	-	19	-
Income before non-controlling interest	1,767	2,421	2,275	7,546
Non-controlling interest	-	-	-	(411)
Net income and comprehensive income for the period	1,767	2,421	2,275	7,135
Accumulated deficit, beginning of period	(27,394)	(7,422)	(13,058)	(2,693)
Distributions to Avenir Diversified Income Trust	-	-	-	(7,190)
Distributions to unitholders	(8,782)	(6,806)	(23,626)	(9,059)
Accumulated deficit, end of period	(34,409)	(11,807)	(34,409)	(11,807)
Net income per unit				
Basic	0.05	0.09	0.07	0.26
Diluted	0.05	0.09	0.07	0.26

## Essential Energy Services Trust

### CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(\$ in thousands)

	For the			
	Three months ended		Nine months ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net income for the period	1,767	2,421	2,275	7,135
Add non-cash items:				
Depreciation and amortization	4,208	3,611	12,679	9,876
Non-controlling interest	-	-	-	411
Future income taxes (recovery)	(614)	-	19	-
Stock-based compensation	436	294	1,232	392
Loss (gain) on sale of property and equipment	(37)	(33)	5	(27)
	5,760	6,293	16,210	17,787
Change in non-cash working capital	(4,464)	(3,478)	1,046	(3,366)
Cash provided by operating activities	1,296	2,815	17,256	14,421
<b>FINANCING ACTIVITIES</b>				
Issuance of trust units, net of costs	-	-	32,618	-
Investment by Avenir Diversified Income Trust	-	-	-	14,279
Distributions to Avenir Diversified Income Trust	-	-	-	(7,890)
Distributions to unitholders	(8,781)	(6,758)	(22,999)	(6,758)
Cost of formation of Essential Energy Services Trust	-	(606)	-	(4,834)
Increase (decrease) in bank indebtedness	10,600	(28,300)	160	(491)
Repayments of capital lease obligations	(28)	(37)	(94)	(100)
Increase in long-term debt	141	52,065	641	52,130
Repayments of long-term debt	(293)	(281)	(716)	(4,303)
Cash provided by financing activities	1,639	16,083	9,610	42,033
<b>INVESTING ACTIVITIES</b>				
Purchase of energy service businesses	(11,932)	(15,638)	(22,222)	(29,273)
Purchase of property and equipment	(1,076)	(5,121)	(5,918)	(27,228)
Sale of property and equipment	413	359	684	908
Change in non-controlling interest	-	-	-	(524)
Change in non-cash working capital	250	(686)	400	(2,000)
Cash used in investing activities	(12,345)	(21,086)	(27,056)	(58,117)
<b>Decrease in cash during the period</b>	<b>(9,410)</b>	<b>(2,188)</b>	<b>(190)</b>	<b>(1,663)</b>
Cash, beginning of period	10,330	3,295	1,110	2,770
<b>Cash, end of period</b>	<b>920</b>	<b>1,107</b>	<b>920</b>	<b>1,107</b>
<b>Cash interest paid</b>	<b>1,142</b>	<b>817</b>	<b>3,454</b>	<b>1,304</b>

