



FOR IMMEDIATE RELEASE: July 19, 2010

### **Western Energy Services Corp. Announces Private Company Acquisition**

Western Energy Services Corp. (“Western”) (TSX.V) announces that it has entered into (through its wholly owned subsidiary Horizon Drilling Inc.) a definitive arrangement agreement with Impact Drilling Ltd. (“Impact”), whereby Western will acquire all of the outstanding securities of Impact. The total transaction value of the Arrangement is approximately \$19.4 million (including the acquisition of outstanding securities, assumption of debt, working capital and transaction costs). The transaction will be funded entirely using Western’s available lines of credit and within its stated objective of maintaining a conservative debt to annualized EBITDA ratio.

The transaction will be effected by means of a court approved plan of arrangement in accordance with the Business Corporations Act (Alberta) (the “Arrangement”). The Arrangement is subject to the approval by the securityholders of Impact, as well as court and regulatory approvals.

Impact is an arm’s length, private oil and gas well drilling company. The Board of Directors of Impact has retained Raymond James Ltd. to provide a fairness opinion with respect to the Arrangement.

The Impact assets consist of the following:

- 3 Range III top drive telescopic single drilling rigs;
- 1 top drive single drilling rig; and
- various ancillary drilling equipment.

All four drilling rigs have top drives and pipe handling systems and are capable of drilling horizontal wells. Western anticipates that it will upgrade these drilling rigs to increase their horizontal depth capability to match the comparable drilling rigs in the Western drilling fleet. The acquired rigs are expected to add incremental annual EBITDA in line with Western’s current similar rigs.

The acquisition of Impact is anticipated to provide the following strategic benefits:

- increase the fleet size of our highly utilized Range III top drive telescopic single drilling rigs;
- increase Western’s exposure to non-conventional resource plays;
- increased asset base is expected to deliver lower general and administrative expenses on a per rig basis;
- increased ability to meet growing customer demand;
- increase field employee base as 75% of the drilling rigs are now active; and
- that certain tax losses of Impact of approximately \$25 million will continue to be available.

An information circular detailing the Arrangement is anticipated to be mailed to securityholders of Impact by no later than July 28, 2010 for a securityholder meeting to approve the Arrangement, anticipated to be held no later than August 30, 2010. Details of the information circular mailing date and the securityholder meeting date will be announced in due course.

Under defined circumstances, Impact has agreed to a non-completion fee payable to Western in the amount of \$1,000,000.

Subject to the satisfaction of customary closing conditions and the receipt of applicable regulatory and other approvals, it is anticipated that the closing of the Arrangement will occur shortly after the meeting of securityholders of Impact.

### **Operations Update**

Western's utilization was 46% in the second quarter of 2010 compared to an industry average of 20%. Year to date 2010 (including the pre-acquisition period prior to March 18, 2010) Western's utilization was 58% compared to an industry average of 37%.

Western has commenced the construction of a top drive telescopic double drilling rig with hoisting and pumping capabilities to drill long reach horizontal wells. The rig is expected to be commissioned during the first quarter of 2011 and will be financed through operating cash flow and Western's available lines of credit.

### **Pro Forma Asset Base**

Upon closing of the Arrangement, Western will have a fleet of 15 drilling rigs in service which are, on average, less than 4 years old. This modern fleet of rigs are designed to move and rig-up efficiently, enjoy a premium customer base and have an average cost of \$6.8 million per rig. Western's fleet of drilling rigs will be directed towards satisfying customer demand in the exploration and development of key resource plays requiring horizontal drilling capabilities. Western anticipates very little integration risk with the assets of Impact as they are designed and engineered similar to Western's current comparable rigs.

Dale Tremblay, Chief Executive Officer of Western, states "With the acquisition of the Impact rigs, Western will achieve the status of being one of the top ten largest oil and gas well drilling contractors in Canada with a growing reputation of quality of service and expertise in the resource plays. This will be a tremendous achievement for the Western team."

### **FORWARD-LOOKING INFORMATION**

This press release contains certain statements or disclosures relating to the Company that are based on the expectations of the Company as well as assumptions made by and information currently available to the Company which may constitute forward-looking information under applicable securities laws. All such statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that the Company anticipates or expects may, or will occur in the future (in whole or in part) should be considered forward-looking information. In some cases, forward-looking information can be identified by terms such as "forecast", "future", "may", "will", "expect", "anticipate", "believe", "potential", "enable", "plan", "continue", "contemplate", "pro-forma", or other comparable terminology.

In particular, this press release makes reference to the Arrangement and that upon completion of the Arrangement the Corporation will have a fleet of 15 drilling rigs in service and that such will result in the Corporation being one of the top ten largest oil and gas well drilling contractors.

In addition, this press release states that the additional assets from the Arrangement are expected to add incremental EBITDA and also the acquisition of Impact is anticipated to provide for a number of specified strategic benefits, including accessing tax losses of approximately \$25 million.

The foregoing statements assume completion of the Arrangement. Readers are cautioned that there are a number of conditions that must be met, including the approval of the securityholders of Impact, before the Arrangement can be completed. There is no assurance that all of the conditions to the Arrangement will be met and therefore there is a risk that the Arrangement will not be completed.

The statement that the additional assets from the Arrangement are expected to add incremental EBITDA also assumes that the acquired rigs will be utilized on the same basis as Western's presently owned drilling rigs. Even if the Arrangement is completed there are a number of risks which could result in the expected additional EBITDA not to be as high as expected, such as a general reduction in anticipated oil and gas well drilling in the Western Canadian sedimentary basin or the demand for the former Impact assets being less than anticipated. The statement that Western will have access to Impact's tax losses, assumes that the losses are as high as \$25 million and that those losses will continue to be available. There are risks that Impact's available losses are less than \$25 million and that Western will not have sufficient income to make use of such losses.

As such, many factors could cause the performance or achievement of Western to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

Neither the TSXV nor its Regulation Services Provider (as that term is defined in the policies of the TSXV) accepts responsibility for the adequacy or accuracy of this release.

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