



**FOR IMMEDIATE RELEASE: December 21, 2009  
TSX SYMBOL: PES.UN**

**Peak Energy Services Trust announces update on  
rights offering and extension of discussions with senior lenders**

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**CALGARY, Alberta** – Peak Energy Services Trust ("**Peak**" or the "**Trust**") announced today an update on the status of the rights offering to subscribe for up to \$22.0 million principal amount of 12 percent convertible secured subordinated debentures of Peak. Peak also announced that its senior lenders have waived all existing defaults and events of default until January 29, 2010, subject to certain conditions.

**Deans Knight's funding commitments**

On December 20, 2009, Deans Knight exercised its right to terminate the stand-by purchase agreement relating to the rights offering. Simultaneous with the termination of the stand-by purchase agreement, Deans Knight delivered a written undertaking to Peak not to exercise its right to withdraw its existing subscriptions and to purchase such additional amount of the debentures as is necessary to ensure that it holds not less than \$11.5 million principal amount of the debentures. Deans Knight's undertaking is conditional on (i) the offering being completed by January 31, 2010; (ii) no change being made to the terms of the debentures that is not approved by Deans Knight; and (iii) no event, condition or circumstance occurring that has or is reasonably likely to have a material adverse change in Peak's financial condition, results of operations, business or properties taken as a whole.

In addition, Deans Knight has agreed to make available to Peak a bridge loan in the amount of \$3.0 million to fund Peak's working capital requirements until the date the offering is completed. The bridge loan would be a senior secured non-revolving term loan, the proceeds of which would be held in an escrow account and released upon the satisfaction or waiver of certain borrowing conditions, including the entering into by Peak's senior lenders of a subordination and postponement agreement with Deans Knight pursuant to which the senior lenders would agree that the bridge loan (and all security granted under the bridge loan) would rank prior to all senior debt and other security of Peak and its subsidiaries and other conditions precedent customary for transactions of this nature. The bridge loan would bear interest at the rate of 18% per annum on the amounts drawn from escrow, mature on the earlier of the completion of the offering and January 31, 2010 and be repaid from the proceeds of the proposed \$8.0 million term loan (as discussed below). The terms of the bridge loan include proposed covenants and events of default customary for transactions of this nature.

Deans Knight is continuing to work with Peak and has indicated a willingness to provide Peak with an \$8 million non-revolving term loan, the terms and conditions of which are currently being negotiated between Peak and Deans Knight and Peak's senior lenders. Further details concerning the Deans Knight

funding commitments will be disclosed in a prospectus amendment which Peak expects to file after the entering into of the related definitive agreements.

### **Waivers from senior lenders**

On December 20, 2009, Peak's senior lenders agreed to waive all existing defaults and events defaults under the senior loan facilities until January 28, 2010, subject to certain conditions, including the entering into of definitive documentation relating to (i) amendments to the terms of the senior operating loan facility relating to the postponement of the application of the quarterly funded net debt financial covenant, the conversion of the term loan to a revolving demand loan, and the reduction of the total authorized borrowings from \$25.0 million to \$15.0 million (ii) amendments to the terms of the senior term loans related to the removal of the quarterly funded net debt financial covenant, prepayment of the principal amount outstanding from \$40.0 million to not less than \$37.0 million, ability of Peak to make partial prepayments and the payment of monthly monitoring fees to the term loan lender commencing 90 days after the completion of the offering; (iii) a revised priorities agreement between Peak's existing senior operating lender and senior term loan lender; and (iv) the advance of the proposed \$8 million non-revolving term loan by Dean Knight and all documents relating to that loan, including an intercreditor agreement between Deans Knight and the existing senior lenders. Peak's senior lenders are continuing to work with Peak to provide it with additional time to complete the offering and the necessary liquidity and flexibility to continue to operate its business on terms that are satisfactory to all its stakeholders. Further details concerning the amendments to the senior loan facilities will be disclosed in a prospectus amendment which Peak expects to file after the entering into of the related definitive agreements.

### **Status of the rights offering**

Peak expects to file an amendment to the final prospectus for the offering as soon as possible. Subject to entering into definitive agreements with Deans Knight and the senior lenders on the matters discussed above, Peak does expect to file a second amendment to the final prospectus and to proceed with the offering following the receipt of all required regulatory and stock exchange approvals. If Peak elects to proceed with the offering, it is uncertain whether the applicable securities regulators will issue Peak a receipt for the amendment or if the Toronto Stock Exchange will approve the listing of the debentures, and the trust units issuable under the debentures, on the exchange. Peak cannot proceed with the offering until a receipt for the amendment is issued by the applicable securities regulators and all other required stock exchange approvals are obtained. The offering, which was over subscribed, expired on December 11, 2009 and was expected to close on December 17, 2009. Further details concerning the status of the offering will be disclosed in a prospectus amendment which Peak expects to file after the entering into of the definitive agreements relating to the Deans Knight funding commitments and amendments to the senior loan facilities.

### **Outlook**

Activity levels in the oil & gas service industry continue to be negatively impacted due to the worldwide economic downturn. Downward pressure on hydrocarbon pricing due to a reduction in global oil demand and the demand for natural gas in North America combined with tight credit from lending institutions has made it difficult for some customers to support their drilling and production programs. Despite the foregoing, Peak believes that based upon its current cash flow projections, and assuming the advance of funds under the proposed bridge loan by Deans Knight, that it will have sufficient cash to continue as a going concern up to and following the closing of the rights offering which is expected to occur on or before January 29, 2010. Peak continues to take proactive steps to reduce its major input costs to ensure that it is operating as efficiently as possible and will continue to pursue the divestiture of underperforming assets and operations as favourable opportunities or circumstances may present themselves.

**Risks to completion**

The completion of the transactions described in this news release are subject to the satisfaction or waiver of numerous conditions precedent, most of which are beyond the control of Peak and its management. There can be no assurances given (i) that Deans Knight, Peak and Peak's senior lenders will be able to reach all necessary agreements to allow the transactions to proceed, (ii) that the conditions to the completion of the transactions will be satisfied or waived by the applicable parties, (iii) that the transactions will be completed by the required dates, or (iv) that all required regulatory and stock exchange approvals will be obtained when required and on terms and conditions satisfactory to the parties.

**About Peak Energy Services Trust**

Peak Energy Services Trust is a diversified energy services organization operating in western Canada and the United States. Through its various operating divisions, Peak provides drilling and production services to its customers both in the conventional oil and natural gas industry as well as the oil sands regions of western Canada. The Trust also provides water technology solutions to a variety of customers throughout North America. Peak's units are listed on the TSX under the symbol "PES.UN".

**Forward-looking information**

This press release contains forward-looking information within the meaning of applicable Canadian securities legislation regarding expected future events and financial and operating results of the Trust. By its nature, forward-looking information requires the Trust to make assumptions and is subject to numerous inherent risks and uncertainties. There is significant risk that assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking information as a number of factors could cause actual future results, conditions, actions or events to differ materially from expectations, estimations or intentions expressed in the forward-looking information. The Trust disclaims any intention or otherwise to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law. It is the current policy of the Trust to evaluate its past forward-looking information and where it deems appropriate, provide updates subject to requirements by law. The forward-looking statements contained in this press release are made as of December 21, 2009. Additionally, Peak undertakes no obligation to comment on expectations of, or statements made by, third parties in respect of these transactions.

Specifically, this press release contains forward-looking statements relating to: reaching agreements with Deans Knight and its senior lenders and continuing negotiations and discussions with such parties, the filing of an amendment to the final prospectus for the offering and plans regarding the offering; the ultimate results of transaction options other than disclosed in this press release to realign the Trust's capital resources; forecasted financial results of the Trust; ability of the Trust to continue as a going concern; expectation that amendments to the final prospectus will be filed and receive regulatory approval, including the TSX. Such forward-looking statements are subject to important risks, uncertainties and assumptions. The results or events predicated in these forward-looking statements may differ materially from actual results or events.

As a result, you are cautioned not to place undue reliance on these forward-looking statements. These statements are based on certain assumptions and analysis made by the Trust in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. However, whether actual results, performance or achievements will conform to the Trust's expectations and predictions is subject to a number of known

and unknown risks and uncertainties which could cause actual results to differ materially from the Trust's expectations. Such risks and uncertainties include, but are not limited to: the Trust having insufficient cash to continue operations; the commitments of the stakeholders to resolve the outstanding issues; necessary approvals by regulatory bodies are not obtained; the transactions are not completed in the contemplated time period required; the assumptions relating to all parties entering into definitive agreements in respect to the transactions; fluctuations in the price and demand for oil and natural gas; currency fluctuations; fluctuations in the level of oil and natural gas exploration and development activities; fluctuations in the demand for oilfield services that the Trust provides; the effects of weather conditions on operations; the existence of competition from other oilfield service entities; general economic, market or business conditions including the consequences of the current global economic recession; public market volatility and the related ability to access sufficient capital to fund activities; availability to access debt financing to fund activities; government policy changes; changes in laws or regulations, including taxation and environmental regulations; the lack of availability of qualified personnel or management; and other unforeseen conditions which could impact the Trust.

Consequently, all of the forward-looking information made in this document are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Trust will be realized or, even if substantially realized, that they will have the expected consequences to or effects on the Trust or its business or operations.

No assurances can be given that the negotiations between Peak and its senior lenders and Deans Knight will be successful, that the offering will proceed to close or that the senior lenders will not take enforcement action against Peak. If Peak files an amendment to the final prospectus for the offering or proposes to amend the terms of the offering, no assurances can be given that all required regulatory and stock exchange approvals will be obtained for such filings and/or amendments or on terms and conditions satisfactory to the parties.

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The TSX has neither approved nor disapproved the information contained herein