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TSX SYMBOL: PES.UN**

**Peak Energy Services Trust announces up to
\$41 million of equity financings and amendments to senior loan facilities**

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CALGARY, Alberta – Peak Energy Services Trust ("**Peak**" or the "**Trust**") announced that it has entered into agreements for a non-brokered private placement of trust units for gross proceeds of \$16 million and intends to raise up to an additional \$25 million by way of a rights offering of trust units, resulting in a total equity financing, if all rights are exercised, of \$41 million. Peak also announced that it has entered into definitive agreements with its senior lenders for amendments to Peak's senior loan facilities.

Highlights of the transactions

The key elements of the recapitalization transaction are as follows:

- immediate balance sheet improvement through debt reduction;
- interest expense reduction of approximately 20% annually;
- improved liquidity to fund operations; and
- positive amendments to existing financial covenants to reflect the current operating environment.

About the equity financings

The equity financings will consist of:

- a non-brokered private placement by Peak of 80,000,000 million trust units at a price of \$0.20 per unit for gross proceeds of \$16 million; and
- a short form prospectus rights offering for the distribution of rights to subscribe for 125 million trust units at a price of \$0.20 per unit for gross proceeds of up to \$25 million.

Purchasers of trust units in the private placement have agreed not to participate in the rights offering. The subscription price for the equity financings represents a 43% discount to the volume weighted average trading price of the trust units on the TSX for the five preceding trading days.

About the private placement

Deans Knight Capital Management Inc. ("**Deans Knight**") has agreed to purchase, in its capacity as portfolio manager on behalf of accounts managed by Deans Knight, 75,000,000 million trust units at a price of \$0.20 per unit for a total subscription price of \$15 million. In addition, Messrs. Curtis Whitteron and Matthew Huber, the President and Chief Executive Officer and Executive Vice President of Peak, respectively, and Messrs. Christopher Haslam, Richard Grafton, Douglas Robinson and Frederick Moore, each a member of the board of directors, have agreed to subscribe for an aggregate of 5,000,000 million trust units at a price of \$0.20 per unit for a total subscription price of \$1 million. The number of trust units issuable under the private placement represents approximately 165% of the currently outstanding trust units.

The net proceeds of the private placement will be used to:

- first, repay in full the outstanding indebtedness and liability of Peak Energy Services Ltd. ("**PESL**") and its subsidiaries under the \$3 million bridge facility made available to PESL by Deans Knight; and
- second, to repay in part the outstanding indebtedness and liability of Peak and its subsidiaries under the \$25 million syndicated credit facilities.

Subject to receiving the required regulatory approvals, it is anticipated that the private placement will be completed as soon as February 12, 2010 but by no later than February 16, 2010. The obligation of Deans Knight to purchase the trust units under the private placement is subject to a number of conditions, including:

- Peak having received conditional approval of the private placement and the listing of the trust units to be issued in the private placement from the TSX, subject only to the satisfaction by Peak of customary post-closing conditions imposed by the TSX in similar circumstances, and without the requirement of the Trust to obtain unitholder approval to the private placement; and
- the trust units subscribed for under the management subscriptions being issued by Peak simultaneous with the completion of the purchase by Deans Knight of trust units under the private placement.

Deans Knight may terminate its subscription commitments if the private placement does not close on or before February 16, 2010. As well, the obligations of Peak's senior lenders to amend Peak's senior loan facilities are also subject to a number of conditions including, the completion of the private placement on or before February 16, 2010.

About the rights offering

It is proposed that Peak issue to all unitholders as of the record date who are resident in a Province of Canada as of such date rights to purchase up to 125 million trust units. Deans Knight and the management subscribers have agreed not to transfer or exercise the rights or otherwise subscribe for any of the trust units issuable upon the exercise of the rights issuable to them under the rights offering. Based on Peak's knowledge of the number of trust units held by Deans Knight and the management subscribers, each unitholder will receive 3.14052 rights for every trust unit held. Every right will entitle the holder to acquire one trust unit at a price of \$0.20 per unit under their basic subscription privilege. Holders of rights who exercise their basic subscription privilege in full will be entitled to subscribe for additional trust units at a price of \$0.20 per unit on a pro rata basis with all other holders of rights who have exercised their basic subscription privilege in full and subscribed for additional trust units. The number of trust units issuable under the rights offering represents approximately 97.35% of the trust units expected to be outstanding after the completion of the private placement.

In addition, Deans Knight has agreed that it will not (subject to certain exceptions) sell, or agree to sell, any trust units held by it on or before the earlier of (i) the date that the principal securities regulator for the rights offering issues Peak a receipt for the final short form prospectus for the rights offering, and (ii) February 26, 2010.

The net proceeds of the rights offering will be used to:

- first, repay outstanding indebtedness and liability of Peak and its subsidiaries under the \$15 million operating line under the syndicated credit facilities; and
- thereafter for general trust purposes of Peak and its subsidiaries, which may include, at Peak's option, funding growth opportunities and/or the prepayment of outstanding indebtedness and liability of Peak and its subsidiaries under its senior term loans made available by Peak's senior lenders.

Subject to receiving the required regulatory approvals and the completion of the private placement, it is anticipated that Peak will file the preliminary short-form prospectus for the rights offering simultaneous with the completion of the private placement and file and send the final short-form prospectus for the rights offering to the holders of its trust units and complete the rights offering as soon as possible thereafter.

Pro forma ownership of Peak

As of January 28, 2010, Deans Knight held 8,213,163 trust units (representing 16.97% of the outstanding trust units), and the management subscribers held an aggregate of 382,608 trust units (representing 0.79% of the outstanding trust units). Immediately following the completion of the private placement, but prior to the commencement and completion of the rights offering, Deans Knight is expected to hold 83,213,163 trust units (representing 64.81% of the then outstanding trust units) and the management subscribers are expected to hold an aggregate of 5,382,608 trust units (representing 4.19% of the then outstanding trust units). If the private placement is completed, and the rights offering is fully subscribed, then Deans Knight is expected to hold 32.84% of the then outstanding trust units and the management subscribers are expected to hold an aggregate of 2.12% of the then outstanding trust units.

The following table sets out the number of trust units currently held by the management subscribers and the number of trust units that they are expected to hold immediately following the completion of the private placement and the rights offering (assuming the rights offering is fully subscribed):

<u>Name and title</u>	<u>Currently held (% of outstanding)</u>	<u>After private placement (% of outstanding)</u>	<u>After rights offering (% of outstanding)</u>
Curtis Whitteron Director, President & Chief Executive Officer	168,379 (0.35%)	868,379 (0.68%)	868,379 (0.34%)
Matthew Huber Executive Vice President	95,623 (0.20%)	395,623 (0.31%)	395,623 (0.16%)
Christopher Haslam Chairman	2,350 (0.0%)	502,350 (0.39%)	502,350 (0.20%)
Richard Grafton Director	100,000 (0.21%)	2,600,000 (2.02%)	2,600,000 (1.03%)
Douglas Robinson Director	16,256 (0.03%)	516,256 (0.40%)	516,256 (0.20%)
Frederick Moore Director	Nil (0.0%)	500,000 (0.39%)	500,000 (0.20%)

Amendments to the senior loan facilities

On January 28, 2010, PESL entered into amendments with its senior lenders under its existing credit facilities regarding certain amendments to its credit agreements and obtained waivers from the senior lenders with respect to previously announced actual and expected financial covenant breaches from September 30, 2009 to funding of the private placement. The amendments and waivers provide PESL with what management believes will be sufficient flexibility to operate through the current market downturn. The amendments became effective on January 28, 2010 and the waivers are subject to the fulfillment of certain conditions, including the completion of the private placement and payout of the Deans Knight bridge facility.

As at January 28, 2010, PESL's credit facilities consist of credit facilities provided by its senior lenders and the Deans Knight bridge facility. The amendments include the changes described below, among others, to PESL's existing credit facilities.

Upon funding of the private placement and payout of the existing Deans Knight bridge facility, the credit facilities will include: (i) a \$15 million revolving credit facility maturing one year after the date of funding of the private placement and margined to accounts receivable, with a fixed interest rate per annum equal to bank prime plus 5% for prime rate advances, bank prime plus 6.25% for bankers' acceptances and letters of credit and a standby fee on undrawn amounts of bank prime plus 1.3125% and interest payable monthly in arrears; and (ii) a \$10 million term loan facility maturing on August 15, 2012,

with a fixed interest rate per annum equal to prime plus 5%, interest payable monthly in arrears and a prepayment premium equal to ninety days interest on the amount so prepaid.

The credit facilities also include a: (i) \$30 million term loan maturing on August 31, 2012 with a fixed interest rate equal to 7.77% per annum, and interest payable monthly in arrears, and (ii) a \$10 million term loan maturing on June 26, 2013, with a fixed interest rate equal to 8.69% per annum, interest payable monthly in arrears with a prepayment premium payable on both term loans equal to the greater of (a) three months interest on the prepaid amount, and (b) the difference between the present value of interest payments foregone on the prepaid amount calculated on the basis of the original interest rate; and the principal payments foregone discounted based on the yield to maturity of a Government of Canada Bond plus 0.50%, and the face value of the principal being prepaid.

The amendments also include modifications and additions to PESL's covenants under each of the senior loan agreements that management believes will provide sufficient flexibility to execute PESL's business plan through the current downturn. The proposed changes to PESL's covenants under each of the senior loan agreements include the following, among others:

- Positive Covenants. PESL remains subject to existing and customary positive covenants, including with respect to the operation of its businesses and the furnishing of information to the senior lenders, provided that the amendments in certain cases require PESL to furnish financial information on a monthly or weekly rather than quarterly basis.
- Negative Covenants. PESL remains subject to its existing and customary negative covenants, subject to certain additional restrictions, including, among others, restrictions on PESL's ability to sell assets exceeding specified amounts and to make capital expenditures above a specified threshold.
- Financial Covenants. The amendments bring more consistency between the financial covenants of PESL to the senior lenders and include, among other things, the amendment of the fixed charge coverage ratio covenant requiring PESL to maintain a specified cash flow to principal debt repayment ratio. One senior lender agreement has been modified to remove the requirement of PESL to maintain a quarterly net funded debt ("**NFD**") to earnings before interest, taxes, depreciation and amortization ("**EBITDA**") and to relax the ratio of its current assets to current liabilities. The NFD to EBITDA covenant under the other senior lender agreement has been waived until June 30, 2011.
- Events of Default. PESL remains subject to its existing and customary events of default, subject to certain additional events of default, including if the senior lenders reasonably determine that the private placement will not be funded by February 16, 2010.

Curtis W. Whitteron, President & Chief Executive Officer said, "this recapitalization transaction is significant for Peak in that it satisfies the requirements of our senior lenders, improves Peak's financial position and provides Peak's stakeholders with a renewed confidence in Peak's ability to continue as a going concern. We are appreciative of the tremendous amount of understanding and support our customers, employees, and suppliers have shown towards Peak over the past several weeks. The resultant strengthening of Peak's balance sheet and increased flexibility of the debt structure will allow Peak to operate more efficiently in an industry that continues to show signs of uncertainty. The total equity injection of between \$16 million and \$41 million (private placement of \$16 million and rights offering of up to \$25 million) although dilutive, is structured in a manner that we believe is fair to all of Peak's unitholders. All of the minority unitholders of Peak who are able and willing to participate in the rights

offering have the opportunity to participate in the recapitalization and therefore mitigate the dilutive impact of the private placement”.

TSX matters

Peak will apply to list the trust units issuable under the private placement, the rights issuable under the rights offering, and the trust units issuable upon the exercise of the rights on the TSX. Under the applicable rules of the TSX, Peak would ordinarily be required to obtain unitholder approval (including on a disinterested basis with respect to the private placement) of the private placement for a number of reasons, including, but not limited to, the fact that (i) it materially affects the control of Peak, which under TSX rules is defined to include, among other things, a transaction that results in a new holding of more than 20% of the voting securities by a single securityholder, (ii) it involves the private placement of securities representing more than 25% of the number of trust units currently outstanding, and (iii) it involves the private placement to an insider of trust units representing more than 10% of the number of trust units currently outstanding, and (iv) the subscription price of the trust units is below the maximum allowable discount to the current market price of the trust units permitted by the TSX. However, Peak has applied to the TSX for an exemption from the TSX security holder approval requirement pursuant to section 604(e) of the TSX Company Manual in connection with the private placement based on financial hardship. Peak is also relying on the exemption from the requirement for a formal valuation and minority security holder approval, as necessary, contained in Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions in connection with private placement.

Dundee Securities Corporation was engaged to provide the board of directors of PESL with an opinion as to the fairness, from a financial point of view, of the private placement, the rights offering and the proposed amendments to Peak's senior loan facilities. On January 28, 2010, Dundee Securities Corporation delivered a fairness opinion to Peak stating that the private placement, rights offering and credit amendments are fair, from a financial point of view, to the unitholders of Peak as a whole. Peters & Co. Limited was engaged by a special committee of the board of directors of PESL to evaluate the private placement and the rights offering, as well as to evaluate other alternatives potentially available to Peak.

Having received the advice of its legal and financial advisors, the special committee of directors of PESL has recommended, and the special committee and the board of directors have approved (with each of the members of the board, other than the Chairman of the special committee, abstaining on the vote relating to the private placement due to their conflicts of interest), entering into the equity financings and amendments to the senior loan facilities and concluded that (i) Peak is in serious financial difficulty, (ii) the private placement and the rights offering are designed to improve Peak's financial condition and (iii) the terms of the private placement and rights offering are reasonable in the circumstances.

The TSX has advised Peak that reliance on the financial hardship exemption will automatically result in a TSX delisting review to confirm that Peak continues to meet TSX listing requirements. Peak believes that it currently complies with applicable TSX listing requirements and expects to continue to comply with such requirements following the completion of the equity financings.

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 January 29, 2010. 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: the completion of the private placement and rights offering, repayment of outstanding indebtedness of Peak and its subsidiaries and the making of amendments to the senior loan facilities. 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 risk that one or more of the definitive agreements for the transaction is terminated in accordance with its terms or otherwise; the risk that the conditions precedent to the completion of the transactions are not satisfied or waived by the applicable party; that the necessary approvals by regulatory bodies are not obtained, including the approval of the TSX for Peak to rely on the financial hardship exemption in connection with the private placement; the risk that Peak will be required to obtain unitholder approval prior to the completion of the private placement; that a material adverse affect occurs in respect of Peak; that the transactions are not completed in the contemplated time period required; the risk that Peak does not meet the minimum listing requirements of the TSX following the completion of the transactions and delisting review of Peak; 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. No assurances can be given that all required regulatory and stock exchange approvals will be obtained or on terms and conditions satisfactory to the parties.

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.

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The TSX has neither approved nor disapproved the information contained herein