



**FOR IMMEDIATE RELEASE: December 17, 2009**  
**TSX SYMBOL: PES.UN**

**Peak Energy Services Trust delays closing of rights offering  
and proposes changes to its senior loan facilities**

**NOT FOR DISTRIBUTION TO UNITED STATES NEWSWIRE SERVICES OR FOR  
DISSEMINATION IN THE UNITED STATES**

**CALGARY, Alberta** – Peak Energy Services Trust ("Peak" or the "Trust") announced today that it expects to file an amendment to the final prospectus for the offering to subscribe for up to \$22.0 million principal amount of 12 percent convertible secured subordinated debentures of Peak and will delay closing of the previously announced rights offering as a result. Peak also announced certain proposed changes to its senior loan facilities.

**Background**

On November 10, 2009, Peak filed a final short form prospectus for the distribution of rights to subscribe for up to \$22.0 million principal amount of 12 percent convertible secured subordinated debentures of Peak which it expected to close on December 17, 2009. The net proceeds of the offering were to be used to reduce Peak's senior indebtedness. The offering, which was over subscribed, expired on December 11, 2009 and was expected to close on December 17, 2009.

At the time of filing the final prospectus, Peak believed that it would be able to continue as a going concern based on management's forecast of Peak's financial results, including the impact of the transactions disclosed in the final short form prospectus, for the foreseeable future using its best estimates of industry activity levels and associated operating conditions. However, based on the preliminary financial results of Peak to date, and the deteriorating conditions in the North American oilfield services sector generally, management now expects that Peak's financial results will be significantly weaker than originally forecast. As a consequence, Peak determined on December 11, 2009 that Peak Energy Services Ltd., a wholly-owned subsidiary of Peak, would not be able to comply with a financial covenant under its senior loan facilities for the fourth quarter of 2009 and the foreseeable future, even after giving effect to the completion of the offering. As a result of this material change, Peak must file an amendment to the final prospectus for the offering as soon as practicable, but in any event by no later than December 21, 2009, unless exemptive relief from such requirement is obtained. Peak cannot proceed with the offering until a receipt for the amendment is issued by the applicable securities regulators.

Given the requirement to file an amendment to the final prospectus, Peak will be unable to satisfy the condition under the agreements with its senior lenders that it complete the offering by December 17, 2009. As a consequence, Peak is in breach of a financial covenant under its senior loan facilities for the third quarter of 2009 and Deans Knight Capital Management Ltd., the stand-by purchaser under the offering, is entitled to terminate the stand-by purchase agreement with Peak.

### **Proposed changes to the senior loan facilities**

On December 11, 2009, Peak entered into negotiations with its senior lenders to provide Peak with additional time to complete the offering and necessary liquidity and flexibility to continue to operate its business and execute on its business plan through the current downturn in industry activity. On December 16, 2009, Peak reached agreement with its senior lenders on proposed changes to the terms and conditions of the senior loan facilities, which changes include:

- for September 30, 2009, the senior lenders will accept a pro forma calculation of the quarterly funded net debt covenant to reflect the completion of the offering for gross proceeds of \$22.0 million, and waive any breach of such covenant as at December 31, 2009;
- for the period beginning January 1, 2010 and ending March 30, 2011, any breach of the quarterly funded net debt covenant under Peak's syndicated term credit facilities will be waived;
- on March 31, 2011 and thereafter, the quarterly funded net debt covenant under Peak's syndicated term credit facilities shall not exceed 3.00 to 1.00;
- after application of a portion of the net proceeds of the offering, Peak's syndicated term credit facilities will be replaced with a \$15.0 million demand revolving operating credit facility. The interest rate on prime rate advances under this facility will be bank prime rate plus 5.00 percent;
- as of January 1, 2010, the quarterly funded net debt covenant will no longer apply to Peak's term loans;
- interest on the \$30.0 million and \$10.0 million term loans will remain at 7.77 percent and 8.69 percent, respectively;
- partial prepayments of the term loans will be allowed; and
- a minimum of \$7.0 million of the proceeds from the offering will be applied to the \$30.0 million term loan in exchange for a prepayment premium of approximately \$0.7 million, the payment of which will be deferred until the earlier of the maturity of the \$30.0 million term loan or the prepayment of the balance. The sums owing in respect of the prepayment premium will not bear interest.

Peak will pay monthly monitoring fees to the term loan lender beginning 90 days following the closing of the offering of \$10,000 per month for the first 3 months, \$20,000 per month for each 3 months thereafter; \$40,000 per month for each 3 months thereafter and \$75,000 per month for each month thereafter until the earlier of maturity or repayment of the term loans and any prepayment premiums owing to such lender.

The obligations of the senior lenders to amend the terms of the senior loan facilities are subject to certain conditions, including the entering into of definitive documentation on or before December 21, 2009. There can be no assurances given that the proposed changes will be approved. If the terms of the proposed amendments are changed, there can be no assurances given that such changes will be acceptable to Peak and the other parties. To Peak's knowledge, its senior lenders are not taking enforcement action at this time given negotiations between the parties to come to a workable solution are ongoing.

### **Status of the stand-by purchase agreement**

Deans Knight is continuing to work with Peak and has indicated a willingness to proceed with the transaction if the amendments to the terms of the senior loan facilities are satisfactory to Deans Knight and other amendments to Deans Knight stand-by purchase agreement are agreed to. There can be no assurances given that these proposed amendments will be acceptable to Peak and

the other parties. It is expected that definitive documentation relating to the stand-by purchase agreement will be entered into on or before December 21, 2009.

### **Status of the offering**

Peak does not expect to terminate or amend the essential terms of the offering. Peak, together with its legal advisers, will begin discussing with the applicable securities regulators and the Toronto Stock Exchange the filing of an amendment to the final prospectus, the deadline for filing such amendment and the need (if any) for exemptive relief from the timing requirements of such filing. The outcome of these negotiations and discussions is uncertain at this time. Further details regarding the completion of the offering will be disclosed in a subsequent news release.

### **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 17, 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: successful completion of the offering; successful amendments to senior loan facilities; expectations of future oil and natural gas services industry activity levels; the ultimate results of transaction options other than disclosed in this press release to realign the Trust's capital resources; expectations of improvement in oil and natural gas services industry activity levels; expectations of non-compliance with certain debt covenants; 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; that the debenture financing will be used to reduce senior indebtedness; and that the Trust will be able to comply with the covenants of the senior indebtedness and/or debentures. 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 obligations committed to by all parties involved with the transactions are not fulfilled; 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.

**For further information please contact:**

Peak Energy Services Trust  
Mr. Curtis W. Whitteron  
President and Chief Executive Officer  
(403) 543-7325  
(403) 543-7335 (FAX)

or

Peak Energy Services Trust  
Mr. Matthew J. Huber  
Executive Vice President  
(403) 543-7325  
(403) 543-7335 (FAX)

or

Peak Energy Services Trust

Mr. Monty R. Balderston  
Chief Financial Officer  
(403) 543-7325  
(403) 543-7335 (FAX)

The TSX have neither approved nor disapproved the information contained herein.