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Canadian Energy
SERVICES L.P.

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NEWS RELEASE

Canadian Energy Services L.P. Announces Second Quarter Results and Update on Business Initiatives

TSX: CEU.UN

Calgary, Alberta – Canadian Energy Services L.P. (“Canadian Energy Services”, “CES” or the “Partnership”) is pleased to announce the financial highlights of the three month period ended June 30, 2007.

“Our second quarter results were in line with expectations due to a normal seasonal low for industry activity levels, exacerbated this year by a severe drop in natural gas drilling activity due to low natural gas prices.” said Tom Simons, the President and Chief Executive Officer of Canadian Energy Services Inc., the general partner of CES. “We were pleased that our growth in market share from last year translated into operational and financial results for CES that were stronger than industry averages on a relative basis. We remain committed to our growth strategies going forward.”

CES continues to attribute its growth in market size and market share to the use of its existing technologies and particularly the emergence of new technologies like Seal-AX™ (Patent Pending). Combining CES’ technologies with its superior service helps the Partnership’s customers achieve their objectives of maximizing their returns on invested capital through some combination of lower drilling costs and improved productivity.

Highlights of the three month period ended June 30, 2007 for CES were:

- The Partnership generated revenue of \$6.2 million in the quarter with an estimated market share of 17% compared to the estimated 12% market share in the second quarter of 2006. Total industry drilling activity in the second quarter dropped 55% from the same quarter last year. CES’ revenue decrease from the second quarter of 2006 was only 21% reflecting our improved market share.
- Gross margin of \$1.4 million or 23% of revenue was generated for the second quarter which, as a percentage of revenue, was lower than the 30% gross margin generated in the second quarter of 2006. The drop in margin is primarily due to the impact of higher fixed labour costs on lower revenue levels. CES is committed to the continued training and retention of quality personnel.
- Selling, general and administrative (“SG&A”) costs were \$1.8 million in the second quarter, an increase of \$262,000 from the second quarter in 2006. This increase largely related to higher labour costs and staff levels. CES was successful in attracting experienced and qualified key personnel.
- A net loss of \$3.0 million was experienced in the second quarter primarily due to the requirement to recognize a future income tax expense of \$2.3 million resulting from the enacted tax rules for flow-through entities such as CES. Net earnings of \$675,000 were generated in the second quarter of 2006.

- The Partnership continued to maintain its level of distributions and declared monthly distributions of \$0.0792 per unit to Class A unitholders for the three months ended June 30, 2007. A quarterly distribution of \$0.2376 was declared to the Subordinated Class B unitholders of record on June 30, 2007. The target payout ratio on an annualized basis continues to be 80% of distributable funds. The actual payout ratio for the second quarter was a negative 423%. The actual payout ratio for the twelve month period ended June 30, 2007 was 104%. Management anticipates that the twelve month trailing payout ratio will drop for the balance of the year. Management continues to believe the annual target level of distributions is achievable and appropriate for the Partnership's business given the relatively low level of capital required to maintain and grow the business.
- Working capital was \$8.8 million at June 30, 2007 and CES' only long-term debt, representing vehicle financing loans, was \$641,000. CES continues to maintain a strong balance sheet despite current industry activity seasonal and cyclical lows. During the quarter the Partnership's operating line of credit was increased from \$3.0 million to \$5.0 million. To date, this line remains undrawn.

Business Initiatives

Canadian Energy Services is continuing with its previously announced business initiatives, namely, to grow its market size, customer base and market share with the introduction of new technologies like Seal-AX™ (Patent Pending). CES continues to look for opportunities where its technology can open new markets in the US and internationally. On an on-going basis, the Partnership strives to lower input costs on product procurement.

As means to continue to maximize the Partnership's growth potential, CES has initiated its strategy to integrate trucking of products and fluids to the well site to improve critical delivery capacity. During the second quarter 2007, CES acquired 25 acres of land in Edson, Alberta and has started construction of a trucking and tank farm facility. This operation will be managed under the Partnership's new division EQUAL Transport.

CES established an office in Denver, Colorado during the second quarter and has been actively working with potential customers on upcoming opportunities in the US and other international opportunities. We continue to believe we have the technology and the structure in place to successfully pursue these markets with minimal cost and risk.

Outlook

Management believes that CES is well positioned with its technology-based service offerings, geographic diversification and broad customer base. The Partnership is cautiously optimistic that it can continue to grow its business under the current challenging market conditions. In this regard, we note that for the three months ended June 30, 2007, 95% of the Partnership's revenue continued to come from medium to deep and horizontal well types, which compares against 97% last year. This highlights the robust economic nature of the projects pursued by our clients and the substantive role CES plays in their success. We continue to be encouraged by the level of horizontal drilling activity in the Bakken light oil resource play and horizontal drilling activity in the Canadian oilsands. These remain significant and growing markets where CES' technology will drive the growth of our business.

The Partnership will strive to continue to build market penetration for Seal-AX™ (Patent Pending) and additional activity with other leading technologies such as Liquidrill™. CES believes that its value proposition in drilling for deeper natural gas, oilsands and conventional horizontal oil wells positions itself as the premium fluids provider in the market.

CANADIAN ENERGY SERVICES L.P.

CONSOLIDATED BALANCE SHEETS
(stated in thousands of dollars)(unaudited)

	Jun 30, 2007	Dec 31, 2006
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,913	\$ 4,194
Accounts receivable	9,136	23,733
Inventory	3,199	2,613
Prepaid expenses	377	180
	15,625	30,720
Property and equipment	3,300	2,224
Goodwill	41,966	41,966
	\$ 60,891	\$ 74,910
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 5,261	\$ 17,832
Distributions payable	1,084	1,084
Deferred revenue	45	427
Current portion of vehicle financing loans	466	457
	6,856	19,800
Vehicle financing loans	641	616
Future income tax liability	2,302	-
	2,943	616
Unitholders' equity		
Class A Units	66,959	66,959
Subordinated Class B Units	21,514	21,514
Contributed surplus	189	105
Deficit	(37,570)	(34,084)
	51,092	54,494
	\$ 60,891	\$ 74,910

CANADIAN ENERGY SERVICES L.P.

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

(stated in thousands of dollars)(unaudited)

	Three Months Ended Jun 30,		Six Months Ended	121-day Period Ended
	2007	2006	Jun 30, 2007	Jun 30, 2006
Revenue	\$ 6,198	\$ 7,839	\$ 25,716	\$ 14,761
Cost of sales	4,754	5,524	17,751	10,677
Gross margin	1,444	2,315	7,965	4,084
Expenses				
Selling, general and administrative expenses	1,840	1,578	4,233	2,045
Amortization of property and equipment	185	74	354	97
Unit-based compensation	43	29	84	38
Loss on disposal of assets	25	-	25	-
Interest income, net of interest expense	4	(41)	(5)	(50)
	2,097	1,640	4,691	2,130
Net earnings (loss) for the period before taxes	(653)	675	3,274	1,954
Future income tax expense	2,302	-	2,302	-
Net earnings (loss) for the period	(2,955)	675	972	1,954
Other comprehensive income	-	-	-	-
Comprehensive net earnings (loss) for the period	(2,955)	675	972	1,954
Retained earnings (deficit), beginning of period	(32,386)	574	(34,084)	-
Unitholders' distributions declared	(2,229)	(2,124)	(4,458)	(2,829)
Deficit, end of period	\$ (37,570)	\$ (875)	\$ (37,570)	\$ (875)
Net earnings (loss) per unit				
Basic and diluted	\$ (0.32)	\$ 0.08	\$ 0.10	\$ 0.22

CANADIAN ENERGY SERVICES L.P.

CONSOLIDATED STATEMENTS OF CASH FLOW

(stated in thousands of dollars)(unaudited)

	Three Months Ended Jun 30,		Six Months Ended	121-day Period Ended
	2007	2006	Jun 30, 2007	Jun 30, 2006
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES:				
Net earnings (loss) for the period	\$ (2,955)	\$ 675	\$ 972	\$ 1,954
Items not involving cash:				
Amortization of property and equipment	185	74	354	97
Unit-based compensation	43	29	84	38
Loss on disposal of assets	25	-	25	-
Future income tax expense	2,302	-	2,302	-
Change in non-cash operating working capital	5,763	3,164	861	5,134
	5,363	3,942	4,598	7,223
FINANCING ACTIVITIES:				
Units issued for cash, net of issue costs	-	-	-	53,603
Repayment of vehicle financing loans	(190)	(50)	(308)	(66)
Change in non-cash financing working capital	-	(812)	-	-
Distributions to unitholders	(2,229)	(1,775)	(4,458)	(1,775)
	(2,419)	(2,637)	(4,766)	51,762
INVESTING ACTIVITIES:				
Repayment of acquisition notes	-	-	-	(50,602)
Purchase of property and equipment	(1,102)	(102)	(1,190)	(435)
Proceeds on disposal of fixed assets	77	-	77	-
	(1,025)	(102)	(1,113)	(51,037)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,919	1,203	(1,281)	7,948
Cash and cash equivalents, beginning of period	994	6,745	4,194	-
Cash and cash equivalents, end of period	\$ 2,913	\$ 7,948	\$ 2,913	\$ 7,948

The Partnership will file its second quarter report (including management's discussion and analysis) and consolidated unaudited financial statements and notes thereto as at and for the three months ended June 30, 2007 in accordance with National Instrument 51-102 - Continuous Disclosure Obligations adopted by the Canadian securities regulatory authorities. Additional information about the Partnership, including the Partnership's 2006 annual report, including the audited consolidated financial statements and notes thereto and management's discussion and analysis as at and for the 305-day period ended December 31, 2006, are available on the Partnership's SEDAR profile at www.sedar.com and CES' website at www.CanadianEnergyServices.com.

Canadian Energy Services is organized in accordance with the terms and conditions of a limited partnership agreement which provides that only persons who are resident in Canada, or, if partnerships, are Canadian partnerships, in each case for purposes of the *Income Tax Act* (Canada) (the "Tax Act"), may own units of the Partnership. Units may not be purchased as a "tax shelter investment" for the purposes of the Tax Act or by any entity an interest in which is a tax shelter investment.

Except for the historical and present factual information contained herein, the matters set forth in this news release, including words such as "expects", "projects", "plans" and similar expressions, are forward-looking information that represents management of Canadian Energy Services' internal projections, expectations or beliefs concerning, among other things, future operating results and various components thereof or the economic performance of Canadian Energy Services. The projections, estimates and beliefs contained in such forward-looking information necessarily involve known and unknown risks and uncertainties, which may cause Canadian Energy Services' actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, those described in Canadian Energy Services' filings with the Canadian securities authorities. Accordingly, holders of Canadian Energy Services Class A Common limited partnership units and potential investors are cautioned that events or circumstances could cause results to differ materially from those predicted.

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