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Canadian Energy
SERVICES L.P.

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NEWS RELEASE

Canadian Energy Services L.P. Announces Profitable Second Interim Period 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 highlights of the three month period ended June 30, 2006.

"We are very excited that we have emerged from "spring break-up" with increased profitability and a strong balance sheet that will enable delivery on our business initiatives." said Tom Simons, the President and Chief Executive Officer of Canadian Energy Services Inc., the general partner of CES. "The impact of seasonality for oilfield services businesses can be challenging as we need to manage fixed costs during a period of low activity. This second interim report of CES demonstrates our ability to effectively manage our costs and stay focused on our strategy to profitably grow the business."

The financial and operational highlights of the three months ended June 30, 2006 included:

- Revenue of $7.8 million was stronger than expected for the traditional "spring break-up" period. Rig count, which averaged 332[1] in the period, remained active providing for continued operations throughout the period.
- Gross margin of $2.3 million or 30% of revenue was generated for the period despite the impact of fixed field costs which support infrastructure sustained by CES to service higher non-break-up periods of activity.
- Selling, general and administrative ("SG&A") costs include higher than expected public entity costs and a number of one time costs including relocation into a common office facility and the recruitment of personnel. SG&A also included the costs incurred for the safety audit for our Certificate of Recognition which was successfully completed.
- Net earnings of $675,000 at 9% of revenue was achieved following strong field margins.
- Seal-AX, a new proprietary technology with Patent-Pending status, was introduced to the market on two deep foothills wells. This technology uniquely enhances the performance of the Partnership's Invert drilling fluid systems by reducing "seepage" losses of base oil to the drilled formations.
- The Partnership continued with its distribution policy and declared monthly distributions of $0.0792 per unit to Class A unitholders. A quarterly distribution of $0.2376 was declared to the

Subordinated Class B unitholders of record on June 30, 2006. The target payout ratio on an annualized basis is 80% of distributable cash. The actual payout ratio for the three months ended June 30, 2006 was 526% due to the lower level of activity that occurs in the second quarter. The actual payout ratio for the 121-day period ended June 30, 2006 was 172%. The target payout ratio level is the anticipated level for the twelve month calendar period. The actual payout ratio will vary with the seasonality of the Partnership's cash flow. Periods of higher activity will cause the payout ratio to decrease, likewise lower activity periods will cause the payout ratio to increase.

- CES issued $6.0 million aggregate amount of unsecured promissory notes convertible into 600,000 Class A Units to Impact Fluid Systems Inc. and Canadian Fluid Systems Ltd. in accordance with the working capital adjustment provisions of the acquisition agreements entered into in connection with the Partnership's initial public offering ("IPO"). In June 2006, $1.0 million aggregate principal amount of such notes was converted to Class A Units at a conversion price of $10.00 per unit and in July 2006 a further $3.0 million aggregate principal amount of such notes was converted to Class A Units at a conversion price of $10.00 per unit.

Note: [1] From Canadian Association of Oilfield Drilling Contractors ("CAODC") active rig count for Western Canada.

During the last three months, Canadian Energy Services has continued with its business initiatives that will allow the Partnership to achieve profitable growth. These initiatives include the following:

- CES has successfully recruited an operations manager to assist in the development of a trucking division which will be initiated by either ordering new equipment or through an acquisition. These trucks would be used to transport CES Invert to the drilling locations of the Partnership's customers.
- Additives/components for CES Invert traditionally come through wholesalers. CES has opted to stock some of these additives/components by procuring directly from the manufacturers. CES Primary, CES Secondary & Wetting Agents started to be successfully utilized from CES warehouses in late June. As a result, CES expects Invert product margins to improve as lower cost goods make their way to the rig and the customer.
- A Patent-Pending technology called Seal-AX became commercial for the Partnership in the second interim period. Seal-AX is an in-house developed technology with broad application possibilities. It lowers costs for operators on deeper drilling where CES Invert is utilized. This "win-win" service offering positions the Partnership to increase market share in this key market segment.
- The Partnership is looking at further product development opportunities which may eventually become commercial to the operations. In particular, CES is now researching potential for a surfactant based technology designed to help alleviate down-hole drilling problems typically encountered in the shallow to medium phases of a well.
- CES is working to expand its service offerings into the United States. This division will be locally branded and will initially service Canadian operators requesting CES' services on their American operations.

Industry outlook remains strong for drilling activity and related services. CES believes it is well positioned for profitable growth in this environment with emphasis on the following areas:

- Operators are directing resources to deeper/longer life gas reserves/production and to light and heavy oil reserves/production.
- Conventional horizontal drilling for oil is very active, driven by high commodity prices. CES' Liquidrill technology remains a leading drilling fluid in the industry.
- Although natural gas prices have declined from their highs, CES does not anticipate any slowdown in activity levels nor contraction of gross margins through the balance of 2006. The

Partnership’s diverse client base and strong value adding products enables CES to sustain activity levels despite reductions in the capital programs of some clients. CES anticipates its client mix will change as operators with more counter cyclical strategies expand their capital spending to take advantage of increased rig and oilfield service availability.

- Operators continue to drill for deeper, long life gas. The Partnership’s Envirobond and CES Invert product lines continue to be leading technologies in this market. The commercial introduction of Seal-AX has been met with an encouraging response. The unique improvement to CES Invert through this Patent-Pending technology positions the Partnership with a value added proposition for it’s customers in this attractive market.
- Oilsands drilling activity is increasing as drilling contractors build out new rigs that have been specially built for steam assisted gravity drainage (“SAGD”) type drilling and the commercial phases of these projects will provide significant opportunities.
- Technology is constantly morphing and expanding when it comes to recovering maximum production from the Bitumen deposits of N.E. Alberta and N.W. Saskatchewan. SAGD is the primary recovery method. CES is well positioned to maintain / increase its market share in the bitumen production segment with its Liquidrill/Tarbreak system regardless of the recovery method utilized. The problems encountered while drilling in these areas are the same regardless of the post drilling recovery method used and Liquidrill/Tarbreak will continue to offer value to operators in this area.

Canadian Energy Services designs and implements drilling fluid systems for the oil and gas industry, in particular relating to drilling medium to deep vertical and directional wells and horizontal wells in the Western Canadian Sedimentary Basin.

CANADIAN ENERGY SERVICES L.P.

BALANCE SHEET

as at June 30, 2006

(stated in thousands of dollars) (unaudited)

		2006
ASSETS		
Current assets		
Cash and cash equivalents	$	7,948
Accounts receivable		14,741
Inventory		1,310
Prepaid expenses		227
		24,226
Property and equipment		1,285
Goodwill		75,966
	$	101,477
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$	10,927
Distributions payable		1,054
Current portion of vehicle financing loans		314
		12,295
Vehicle financing loans		296
Due to Vendors		5,000
		17,591
Unitholders' equity		
Class A Units		63,209
Subordinated Class B Units		21,514
Contributed surplus		38
Deficit		(875)
		83,886
	$	101,477

CANADIAN ENERGY SERVICES L.P.

STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

From commencement of operations on March 2, 2006 to June 30, 2006

(stated in thousands of dollars except per unit amounts) (unaudited)

	Three Months Ended June 30, 2006	121-day Period Ended June 30, 2006
Revenue	$ 7,839	$ 14,761
Cost of sales	5,524	10,677
Gross margin	2,315	4,084
Expenses		
Selling, general and administrative expenses	1,578	2,045
Amortization of property and equipment	74	97
Partnership unit-based compensation	29	38
	1,681	2,180
Other income	41	50
Net earnings for the period	675	1,954
Retained earnings, beginning of period	574	-
Unitholders' distributions declared	2,124	2,829
Deficit, end of period	$ (875)	$ (875)
Net earnings per Partnership unit		
Basic	$ 0.08	$ 0.22
Diluted	$ 0.08	$ 0.22

CANADIAN ENERGY SERVICES L.P.

STATEMENT OF CASH FLOW

From commencement of operations on March 2, 2006 to June 30, 2006

(stated in thousands of dollars) (unaudited)

	Three Months Ended June 30, 2006	121-day Period Ended June 30, 2006
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES:		
Net earnings for the period	$ 675	$ 1,954
Items not involving cash:		
Amortization of property and equipment	74	97
Partnership unit-based compensation	29	38
Change in non-cash operating working capital	3,164	5,134
	3,942	7,223
FINANCING ACTIVITIES:		
Units issued for cash, net of issue costs	-	53,603
Increase in new vehicle financing	272	272
Repayment of vehicle financing loans	(50)	(66)
Change in non-cash financing working capital	(812)	-
Distributions to unitholders	(1,775)	(1,775)
	(2,365)	52,034
INVESTING ACTIVITIES:		
Repayment of acquisition notes	-	(50,602)
Purchase of property and equipment	(374)	(707)
	(374)	(51,309)
INCREASE IN CASH AND CASH EQUIVALENTS	1,203	7,948
Cash and cash equivalents — Beginning of period	6,745	-
Cash and cash equivalents — End of period	$ 7,948	$ 7,948

The Partnership will file its second interim report (including management's discussion and analysis) and unaudited interim financial statements and notes thereto as at and for the 121-day period ended June 30, 2006 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 interim report and unaudited interim financial statements and notes thereto, will be 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 and 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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