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Canadian Energy
SERVICES L.P.

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NEWS RELEASE

Canadian Energy Services L.P. Announces Fourth 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 December 31, 2006.

"The Partnership's fourth quarter revenue increased 14% from the third quarter and market share increased from 12% to 16% despite a drop in industry activity of about 8%." said Tom Simons, the President and Chief Executive Officer of Canadian Energy Services Inc., the general partner of CES. "Our business model has created a premium fluids provider with equal exposure to oil and gas. CES' technologies and the expertise of our personnel reduce drilling costs and improve productivity for our customers in deep gas, the oilsands, and conventional horizontal oil wells. We believe that is why in a year where economics have been strained for our customers, we have increased CES' market share."

Highlights of the three month period ("fourth quarter") and 305-day period ended December 31, 2006 for CES were:

- Revenue of $16.6 million increased $2.0 million (14%) from the previous quarter resulting in $46.0 million in revenue for the 305-day period to December 31, 2006. This 305-day period did not include two of the most active months for the Partnership. CES estimated market share increased from 12% in the third quarter to 16% in the fourth quarter. Overall industry average rig count in the fourth quarter dropped 8% from the third quarter.

- Gross margin of $4.9 million or 29% of revenue was generated for the fourth quarter, which as a percentage of revenue, was unchanged from the 29% in the third quarter. Gross margin was 29% of revenue overall for the 305-day period.

- Selling, general and administrative ("SG&A") costs were $2.0 million in the fourth quarter and increased 26% over the $1.6 million incurred in the third quarter. This increase reflected higher selling expenses, including commissions, required to generate the increased revenue and the continued costs to prepare for the Partnership's growth and to comply with heightened public entity reporting requirements. SG&A was 12% of revenue for both the fourth quarter and the 305-day period ended December 31, 2006. Management is actively looking at ways to achieve our target level at 10% of revenue.

- Effective November 1, 2006 the Partnership completed its first annual test for impairment in goodwill and recorded a non-cash charge of $34.0 million. Management believes this determination of goodwill impairment does not affect the future prospects of CES' underlying business, but was primarily driven by the October 31, 2006 government announcement proposing changes to the taxation of income funds, public partnerships and other flow-through entities such as CES and broad softening of industry conditions. This write-down is a non-cash charge to earnings. It does not impact the ability of the Partnership to carry on its business, generate its cash flows or pay its distributions. CES continues to have a strong balance sheet after the write-down.

- Net earnings was a loss of $31.3 million in the fourth quarter which included the recognition of an impairment of goodwill of $34.0 million. Net earnings, excluding the goodwill impairment, was $2.7 million ($0.29 per unit on a diluted basis) in the fourth quarter.

- The Partnership maintained its level of distributions 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 December 31, 2006. The target payout ratio on an annualized basis continues to be 80% of distributable cash. The actual payout ratio for the three months ended December 31, 2006 was 84% and 109% for the 305-day period ended December 31, 2006. Management continues to believe that the annual target level of distributions is achievable and appropriate for the Partnership's business. Total distributions declared for each of the Class A Units and the Subordinated Class B Units were $0.2376 for the fourth quarter and $0.7920 for the 305-day period ended December 31, 2006.

- During the fourth quarter, the remaining $750,000 aggregate principal amount of the unsecured promissory notes were repaid in full.

- Vehicle financing loans, excluding current portion, at December 31, 2006 was $616,000. To date the Partnership has not drawn on its $3.0 million operating line of credit.

Canadian Energy Services is working on a number of initiatives to build on the success of our business and the foundation for growth developed in 2006. These initiatives include:

- We will continue to grow our customer base and market share with the introduction of new technologies like Seal-AX (Patent-Pending) and Poly-Core. We are working with our customers to expand Seal-AX from just oil based applications to include water based.

- We will expand operations geographically into the US market and internationally as opportunities present themselves.

- We are committed to lowering input costs and looking at product procurement alternatives.

- We are focused, with experienced personnel, in our search for an appropriate business model to integrate profitably into trucking of products and fluids to the well site.

We believe our limited partnership structure is still appropriate as we can grow our drilling fluids business with minimal capital investment and generate cash flow for distributions to our unitholders. We hope to continue to utilize this structure while growing our business.

Management believes that CES continues to be well positioned, with its geographic diversification and broad scope of service offerings, to maintain its growing position under competitive market conditions.

- While the consensus outlook for activity in the Canadian energy service sector in 2007 forecasts an approximate 10% decrease in the number of wells drilled, the first slowdown since 2002, CES continues to believe it can achieve market share growth in this challenging environment. The Partnership's expanding client base and strong value adding products enable CES to record higher activity levels despite reductions in the capital programs of some of the Partnership's 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.

- Conventional horizontal drilling for oil is very active, driven by high commodity prices. CES' Liquidrill™ technology remains a leading drilling fluid system in the oil drilling industry segment.

- CES is well positioned in both southeast Saskatchewan and across the United States border to participate in the Bakken oil field play (the "Bakken"). The Bakken formation, which expands from southeast Saskatchewan into South Dakota and west into Montana is expected to provide additional opportunities for CES in 2007. A substantial portion of CES' horizontal activity comes from the southeast Saskatchewan area of the Bakken formation.

- Oilsands drilling activity is increasing as drilling contractors build out new rigs that have been specially built for horizontal drilling in the oilsands. The commercial phases of these projects will provide significant opportunities. Programs have started to "kick off" with coring wells being drilled by a number of oilsands operators. Forecast maximum oil sands spending levels are not expected to occur until 2010-2012.

CANADIAN ENERGY SERVICES L.P.

CONSOLIDATED BALANCE SHEET
as at December 31, 2006
(stated in thousands of dollars) (unaudited)

		2006
ASSETS		
Current assets		
Cash and cash equivalents	$	4,194
Accounts receivable		23,733
Inventory		2,613
Prepaid expenses		180
		30,720
Property and equipment		2,224
Goodwill		41,966
	$	74,910
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$	17,832
Distributions payable		1,084
Deferred revenue		427
Current portion of vehicle financing loans		457
		19,800
Vehicle financing loans		616
Unitholders' equity		
Class A Units		66,959
Subordinated Class B Units		21,514
Contributed surplus		105
Deficit		(34,084)
		54,494
	$	74,910

CANADIAN ENERGY SERVICES L.P.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

From commencement of operations on March 2, 2006 to December 31, 2006
(stated in thousands of dollars except per unit amounts) (unaudited)

		Three Months Ended Dec 31, 2006		305-day Period Ended Dec 31, 2006
Revenue	$	16,633	$	46,013
Cost of sales		11,727		32,829
Gross margin		4,906		13,184
Expenses				
Selling, general and administrative expenses		2,020		5,663
Amortization of property and equipment		141		345
Impairment of goodwill		34,000		34,000
Partnership unit-based compensation		39		105
Interest income		(31)		(120)
		36,169		39,993
Loss for the period		(31,263)		(26,809)
Retained earnings (deficit), beginning of period		(592)		-
Unitholders' distributions declared		(2,229)		(7,275)
Deficit, end of period	$	(34,084)	$	(34,084)
Loss per Partnership unit				
Basic and diluted	$	(3.33)	$	(2.93)
Partnership units outstanding				
End of period		9,380,946		9,380,946
Weighted average – basic		9,380,946		9,152,574
- diluted		9,380,946		9,166,542

CANADIAN ENERGY SERVICES L.P.

CONSOLIDATED STATEMENTS OF CASH FLOW

From commencement of operations on March 2, 2006 to December 31, 2006

(stated in thousands of dollars) (unaudited)

		Three Months Ended Dec 31, 2006		305-day Period Ended Dec 31, 2006
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES:				
Loss for the period	$	(31,263)	$	(26,809)
Items not involving cash:				
Amortization of property and equipment		141		345
Impairment of goodwill		34,000		34,000
Partnership unit-based compensation		39		105
Change in non-cash operating working capital		198		2,218
		3,115		9,859
FINANCING ACTIVITIES:				
Units issued for cash, net of issue costs		-		53,603
Repayment of vehicle financing loans		(93)		(227)
Distributions to unitholders		(2,229)		(6,191)
		(2,322)		47,185
INVESTING ACTIVITIES:				
Repayment of acquisition notes		-		(50,602)
Repayment of promissory notes		(750)		(1,250)
Purchase of property and equipment		(343)		(998)
		(1,093)		(52,850)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(300)		4,194
Cash and cash equivalents, beginning of period		4,494		-
Cash and cash equivalents, end of period	$	4,194	$	4,194

The Partnership will file its annual report (including management's discussion and analysis) and consolidated financial statements and notes thereto as at and for the 305-day period ended December 31, 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 annual report and consolidated financial statements and notes thereto and management's discussion and analysis, 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 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.

<u>For further information, please contact:</u>

Tom Simons
President and Chief Executive Officer
Canadian Energy Services Inc.,
the general partner of
Canadian Energy Services L.P.
(403) 269-2800

Laura A. Cillis
Chief Financial Officer
Canadian Energy Services Inc.,
the general partner of
Canadian Energy Services L.P.
(403) 269-2800

Or by email at: info@ceslp.ca

www.CanadianEnergyServices.com

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