

Ensign Energy Services Inc. - Acquisition, Operations and Finance Update

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CALGARY, July 17, 2020 - [Ensign Energy Services Inc.](#) ("Ensign" or "the Company") (TSX: ESI) is pleased to announce the acquisition of Halliburton's 40% ownership in the joint venture operating under the name Trinidad Drilling International ("TDI") which owns and operates five drilling rigs in Mexico, Kuwait and Bahrain. The 40% ownership, inclusive of working capital in the TDI joint venture, was purchased for US \$33.4 million from Ensign's cash on hand. With this acquisition, Ensign now owns 100% of the TDI joint venture.

Robert Geddes, Ensign's President and Chief Operating Officer, commented on the acquisition: "with this transaction, Ensign is pleased to announce that it now owns 100% interest in the rigs held by the venture in the strategic Kuwait and Bahrain areas along with two rigs in Mexico. The transaction involves four recently constructed state-of-art 3000+hp-AC drilling rigs and one newer 2000hp-AC drilling rig. The two rigs in Kuwait are state-of-art ADR 3000+hp-AC super spec rigs that are on long term contracts. The one Bahrain 2000hp-AC super spec drilling rig that was part of the JV is also on a long term contract and augments Ensign's ongoing rig operations in Bahrain, doubling Ensign's presence in the country. In addition, Ensign also acquired full ownership of the two joint venture 3000+hp-AC drilling rigs currently cold-stacked in Mexico."

"Ensign believes this strategic and opportunistic transaction will significantly expand Ensign's platform in the Middle East with some of the newest and technically advanced drilling rigs in the region."

Operational Report

Ensign reports the following operational results for the second quarter of 2020:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Drilling Operating Days (1)				
Canada	377	1,317	3,479	4,378
United States	2,214	6,451	7,355	13,108
International	704	1,195	2,142	2,524
Joint Venture	266	82	487	205
Total Drilling Operating Days	3,561	9,045	13,463	20,215
Operating Well Servicing Hours				
Canada	3,595	10,700	15,827	23,498
United States	19,363	28,960	50,570	57,325
Total Operating Well Servicing Hours	22,958	39,660	66,397	80,823

(1) Defined as contract drilling days, between spud to rig release.

Ensign's second quarter financial results for 2020 are in the process of being finalized. Ensign does not intend the above information to be taken as an indication of financial results for the second quarter of 2020. This information is only intended to provide investors some advance data with respect to Ensign's operational results. Ensign will release its full financial and operational results for the second quarter of 2020 before the markets open on August 10, 2020.

Finance Update

To help fund the acquisition costs and provide additional working capital, Ensign is reviewing the possibility of issuing additional debt that would be subordinated to its existing Credit Facility but would rank senior to the Company's 9.25% Senior Notes Due 2024 ("Senior Notes"). Under the Senior Notes Indenture Agreement, Ensign is permitted to have liens outstanding that do not exceed the greater of (a) US \$125.0 million and (b) 4.0% of the Company's Consolidated Tangible Assets, measured at the time of incurrence. The proceeds from the issuance of this debt, if it were to occur, would be used to reduce the amount drawn on the Credit Facility and fund operations, which would increase Ensign's liquidity position and further strengthen the Company's balance sheet.

Subject to market conditions during the remainder of 2020, it is likely that Ensign will be required to enter into discussion with its Credit Facility syndicate to amend covenants under its Credit Facility, which otherwise may be susceptible to breach in the later half of 2020. As of the date of this press release, Ensign has not entered into formal discussions about the renewal and extension of its existing Credit Facility with the Credit Facility syndicate.

At the end of Q2, 2020, to increase working capital, Ensign finalized the sale of the building and land that was classified on its balance sheet as held for sale for net cash proceeds of \$15.4 million, resulting in a book loss of \$3.4 million.

Cautionary Statements on Forward-looking Information

Certain statements in this news release constitute forward-looking statements or information (collectively referred to herein as "forward-looking statements") within the meaning of applicable securities legislation.

Forward-looking statements generally can be identified by the words "believe", "anticipate", "expect", "plan", "estimate", "target", "continue", "could", "intend", "may", "potential", "predict", "should", "will", "objective", "project", "forecast", "goal", "guidance", "outlook", "effort", "seeks", "schedule" or expressions of a similar nature suggesting future outcome or statements regarding an outlook.

In particular, forward looking statements include, but are not limited to, potential financing activities, increases in liquidity, and potential amendment of, or non-compliance with, loan covenants

The forward-looking statements are based on current expectations, estimates and projections about us and the industries in which we operate, which speak only as of the date hereof. They are subject to certain assumptions and analyses made by Ensign based upon our experience and our perception of current conditions, trends, expected future developments, known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, and other factors we believe are appropriate under the circumstances.

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Such assumptions and risk factors relate to and include, among others: general economic and business conditions which will, among other things, impact demand for and market prices of our services and the ability of our customers to pay accounts receivable balances; volatility of and assumptions regarding crude oil and natural gas commodity prices; fluctuations in currency and interest rates; economic conditions in the countries and regions in which we conduct business; political uncertainty and civil unrest; our ability to implement our business strategy; impact of competition; our defense of lawsuits; availability and cost of labor; Disposal of other equipment, supplies and services; our ability to complete our potential debt and covenant restructuring and capital programs; operating hazards and other difficulties inherent in the operation of our oilfield services equipment; availability and cost of financing and insurance; timing and success of integrating the business and operations of acquired companies; actions by government authorities; government regulations and the expenditures required to comply with them (including safety and environmental laws and regulations and the impact of climate change initiatives on capital and operating costs); the adequacy of our provision for taxes; and other circumstances affecting our business, revenues and expenses.

For additional information, refer to Ensign's Annual Information Form for the year ended December 31, 2019, available on SEDAR at www.sedar.com. Readers are cautioned that the list of important factors contained herein are not exhaustive. Unpredictable or unknown factors could also have material adverse effects on forward-looking statements. Ensign undertakes no obligation to update publicly or revise any forward-looking statement whether as a result of new information, future events or otherwise, except as required by law.

ABOUT ENSIGN

Ensign is a global leader in oilfield services, headquartered out of Calgary, Alberta, operating in Canada, the United States and internationally. Ensign is one of the world's top land-based drilling and well servicing contractors serving crude oil, natural gas and geothermal operators. Our premium services include contract drilling, directional drilling, underbalanced and managed pressure drilling, rental equipment, well servicing and production services. Please visit our website at www.ensignenergy.com.

Ensign's common shares are publicly traded through the facilities of the Toronto Stock Exchange under the trading symbol ESI.

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