

Western Energy Services Corp. Announces Strategic Acquisition of IROC Energy Services Corp.

CALGARY, ALBERTA--(CNW - February 22, 2013)

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

Western Energy Services Corp. ("Western") (TSX: WRG) and IROC Energy Services Corp. ("IROC") (TSX Venture: ISC) are pleased to announce that they have entered into an arrangement agreement (the "Arrangement Agreement") to combine Western's premier contract drilling fleet with IROC's industry leading well servicing fleet and oilfield equipment rental business (the "Transaction"). The combined company will operate one of the newest fleets of equipment in each of its respective service lines. The quality of the equipment, coupled with their operational excellence, is evident in that both companies currently yield one of the highest rig utilizations in each of their respective industry segments.

Western will acquire all of the issued and outstanding shares of IROC in exchange for a combination of cash and Western common shares. Under the terms of the Transaction, IROC shareholders will, for each share held, receive at their election:

- (i) \$3.10 per share of IROC in cash (subject to an aggregate maximum cash component amount of \$62,834,400, plus any adjustment pursuant to the exercise of IROC shareholder stock options prior to closing (the "Option Adjustment") (collectively the "Maximum Western Cash")); or
- (ii) 0.4063 of a common share of Western per share of IROC (subject to an aggregate maximum share consideration of 12,353,040 Western Shares (the "Maximum Western Shares")); or
- (iii) \$1.24 in cash and 0.2438 of a common share of Western per share of IROC.

In the event that the IROC shareholders elect to receive, in aggregate, more than the Maximum Western Cash or the Maximum Western Shares, a pro rata adjustment to the consideration elected to be received will be made such that the aggregate amount of cash to be paid to the IROC shareholders is capped at \$62,834,400 plus the Option Adjustment and the aggregate share consideration is capped at 12,353,040 Western Shares.

The Western share consideration offered to IROC is equivalent to \$3.10 per IROC share representing a 31% premium to IROC's closing price of \$2.37 on February 21, 2013 and a 32% premium to IROC's 20-day volume weighted average trading price of \$2.35 per share as at February 21, 2013. The total transaction value is approximately \$193.7 million, including the assumption of approximately \$36.6 million in IROC debt, which includes IROC transaction costs and \$5.0 million in estimated consideration for IROC shareholder stock options and restricted share units. The Transaction will be financed from Western's existing bank credit facilities. Upon completion of the Transaction, on a fully diluted basis, current Western shareholders will own approximately 83.8% and IROC shareholders will collectively own approximately 16.2% of the combined entity.

The Transaction is expected to be completed prior to April 30, 2013 by way of a Plan of Arrangement under the *Canada Business Corporations Act* and is subject to normal stock exchange, court and regulatory approvals, the approval by at least 66 2/3 percent of the outstanding common shares of IROC, any applicable minority shareholder approval requirements voted on at a special meeting of shareholders of IROC and other conditions typical of a transaction of this nature. Under the Arrangement Agreement IROC has agreed to suspend future dividends pending closing of the Transaction. The Transaction has received unanimous approval by the directors of IROC (the "IROC Board") entitled to vote. Shareholders of IROC holding approximately 17.1% of the outstanding IROC shares, have entered into lock up agreements to vote in favour of the Transaction.

STRATEGIC RATIONALE

A combination with IROC would solidify Western as a leading oilfield services provider with:

- One of the largest deep capacity modern drilling rig fleets in Canada;
- Critical mass in a high quality well servicing business in Canada;
- Entry into the oilfield rental business with immediate size and scale;
- Improved overall positioning with oil focused producers, thus gaining a larger portion of oil focused capital expenditures;
- Reduced cash flow volatility by increasing the proportion of production related revenue relative to its total revenue base;
- A more diverse fleet of well servicing rigs providing opportunities in the deeper regions of the Western Canadian Sedimentary Basin; and
- Immediate access to slant rig work targeting completions and workovers in the oil sands and heavy oil regions of Alberta and Saskatchewan.

In addition, the Transaction should also provide strategic corporate benefits to Western, including:

- Accretion on a cash flow and earnings per share basis, based on current consensus estimates for both Western and IROC;
- Significant operational synergies over the next 12 months;
- Increased opportunities for consolidation in the well servicing and oilfield rental business;
- The creation of a well servicing rig fleet with the size, scale and fleet diversity to meet customer demands; and
- Western emerging with a fleet of well servicing rigs suited for key resource plays.

Western continues to focus its efforts on three core business lines encompassing contract drilling, well servicing and rental services with an emphasis on businesses engaged in unconventional resource development and on-going production requirements. IROC's assets, client base, personnel, safety and operational performance meet Western's acquisition criteria and deliver the well servicing and oilfield rentals service lines Western has been seeking.

Dale Tremblay, Western's Chairman and CEO, said "This transaction represents another milestone in Western's growth achievements. IROC has assembled one of the highest quality well servicing rig fleets in Canada with a strong operations team that consistently achieves industry leading utilization rates. We are excited about the operational synergies and future growth opportunities that will come as a result of critical mass in the well servicing business, coupled with an exceptional oilfield rental platform."

Thomas Alford, IROC's President and CEO, said "The transaction combines two companies with best-in-class assets to create one of the top energy service companies in the country. This transaction gives our shareholders an immediate premium, increased liquidity and the option to take shares in a proven growth company with exceptional management."

SUMMARY OF ACQUISITION

IROC has assembled one of the premier well servicing rig fleets in the industry. IROC's fleet consists of 51 well servicing rigs currently operating through its Eagle Well Servicing division ("Eagle") and is expected to grow to 55 well servicing rigs by the end of April 2013. All of the IROC well servicing rigs are ideally suited for the continued demand for workover services as a result of the number of producing oil wells. The average age of the IROC fleet is approximately 4.5 years. IROC's well servicing fleet at closing will consist of 22 singles, 26 doubles and 7 slant rigs.

IROC also operates an oilfield rental division, AERO Rental Services ("AERO"), which provides technologically advanced oilfield equipment used in the drilling and completions processes by oil and gas producers and oil and gas services companies. AERO has focused on surface pressure control, choke manifolds, power swivels, and tubular handling equipment for production, re-entry and completion operations, as well as for niche under-balanced and deep drilling applications. AERO has grown its fleet of rental equipment to approximately \$35 million in assets to satisfy demand growth.

In addition, IROC operates 3 newly built coil tubing units under its Helix Coil Services division ("Helix"). The fleet consists of two-truck mounted coil tubing units that have been designed for working on medium depth wells. These units have been designed for effective operation and maneuverability on small or crowded locations. Helix's deep-hole tractor trailer mounted conventional coil tubing unit is capable of depths to 4,200 metres with 2 inch coil.

TRANSACTION METRICS

At a purchase price of \$193.7 million, Western is acquiring IROC at the following transaction metrics:

EV / Rig ⁽¹⁾⁽²⁾	\$2.65 million
EV / Replacement Value of Assets ⁽¹⁾⁽²⁾	108%
EV / 2013E EBITDA ⁽³⁾	5.07x

(1) Based on 55 service rigs and accounts for \$49 million in value assigned to IROC's rental business, coil tubing business and working capital

(2) Western management internal estimate

(3) Based on consensus analyst EBITDA estimates as per Bloomberg as at February 20, 2013

PRO FORMA SUMMARY, TRANSACTION TERMS AND CONDITIONS

Upon closing of the Transaction, Western expects to have the following pro forma characteristics:

- Modern fleet of 50 drilling rigs of which 48 (or 96%) are "ELR" rigs with a depth rating of over 3,000 meters with an average age of 6 years;
- Modern fleet of 65 well servicing rigs with 32 singles, 26 doubles and 7 slant rigs with an average age of less than 4 years;
- Shares outstanding of 71.9 million (76.2 million fully diluted);
- Pro forma fully diluted market capitalization of over \$600 million based on the February 21, 2013 closing price of Western shares; and
- Strong balance sheet with net debt leverage ratios in line with the industry averages.

The members of the board of directors of Western and the IROC Board members have both unanimously approved the Transaction by those directors eligible to vote thereon. The IROC Board members entitled to vote have unanimously determined that the Transaction was in the best interests of shareholders, approved entering into the Transaction and resolved to recommend that IROC shareholders vote in favour of the Transaction.

IROC has agreed that it will not solicit or initiate discussions regarding any other business combination or sale of material assets. IROC has also granted Western the right to match any superior proposals. The Transaction provides for a reciprocal non-completion fee of \$5.2 million payable in certain circumstances if the Transaction is not completed.

Complete details of the terms of the Transaction are set out in the Arrangement Agreement, which will be filed by each of Western and IROC on SEDAR and will be available for viewing under each of Western and IROC's profiles at www.sedar.com.

FINANCIAL ADVISORS

Raymond James Ltd. is acting as exclusive financial advisor to Western with respect to the Transaction.

AltaCorp Capital Inc. is acting as exclusive financial advisor to IROC and has provided IROC with a verbal opinion that, subject to its review of the final form of the documents effecting the Transaction, the consideration to be received by the IROC shareholders pursuant to the Transaction is fair, from a financial point of view, to the IROC shareholders.

FORWARD-LOOKING STATEMENTS

This press release contains certain statements or disclosures relating to Western or IROC that are based on the expectations of Western or IROC as well as assumptions made by and information currently available to Western or IROC which may constitute forward-looking information under applicable securities laws. All such statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that Western or IROC anticipates or expects may, or will occur in the future (in whole or in part) should be considered forward-looking information. In some cases, forward-looking information can be identified by terms such as "forecast", "future", "may", "will", "expect", "anticipate", "believe", "potential", "enable", "plan", "continue", "contemplate", "pro-forma", or other comparable terminology.

In particular, this press release makes reference to the Transaction and that: (a) the acquisition of IROC is anticipated to provide for a number of specified strategic benefits, (b) that the Transaction will be accretive based on consensus estimates, (c) the anticipated growth in IROC's well servicing rig fleet, (d) the anticipated closing of the Transaction, as well as (e) the information under the headings "Transaction Metrics" and "Pro Forma Summary, Transaction Terms and Conditions". Readers are cautioned that there are a number of conditions that must be met, including the approval of the shareholders of IROC before the Transaction can be completed.

The forward looking information assumes the completion of the Transaction and there is no assurance that all of the conditions to the Transaction will be met and therefore there is a risk that the Transaction will not be completed and if completed the expected benefits may not materialize. As such, many factors could cause the performance or achievement of Western or IROC to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Because of the risks, uncertainties and assumptions contained herein, readers should not place undue reliance on these forward-looking statements.

Additional information on these and other factors that could affect Western or IROC's operations or financial results are included in Western and IROC's respective reports on file with Canadian securities regulatory authorities. Readers are cautioned not to place undue reliance on this forward looking information, which is given as of the date it is expressed herein or otherwise and Western and IROC undertake no obligation to update publicly or revise any forward looking information, whether as a result of new information, future events or otherwise, unless required to do so pursuant to applicable law

Neither the TSXV nor its Regulation Services Provider (as that term is defined in the policies of the TSXV) accepts responsibility for the adequacy or accuracy of this release.

CONTACT INFORMATION

Western Energy Services Corp.
Dale E. Tremblay
Chairman & CEO
403-984-5929

IROC Energy Services Corp.
Thomas M. Alford
President & CEO
403-263-1110

Western Energy Services Corp.
Alex MacAusland
President & COO
403-984-5932

Western Energy Services Corp.
Jeffrey K. Bowers
VP Finance & CFO
403-984-5933