WESTERN ENERGY SERVICES CORP. RELEASES FOURTH QUARTER AND YEAR END 2014 FINANCIAL AND OPERATING RESULTS AND DECLARES QUARTERLY DIVIDEND

FOR IMMEDIATE RELEASE: February 26, 2015

CALGARY, ALBERTA - Western Energy Services Corp. ("Western" or the "Company") (TSX: WRG) is pleased to release its fourth quarter 2014 and year end financial and operating results. Additional information relating to the Company, including the Company's financial statements and management's discussion and analysis as at and for the years ended December 31, 2014 and 2013 will be available on SEDAR at www.sedar.com. All amounts are denominated in Canadian dollars (CDN$) unless otherwise identified.

Fourth Quarter 2014 Highlights:

- Operating Revenue totalled $129.2 million, a $9.4 million increase (or 8%) over the same period in the prior year as contract drilling day rates improved in both Canada and the United States and utilization and pricing improved in the production services segment;
- Contract drilling operating days remained relatively constant year over year as a larger average drilling rig fleet in Canada was offset by lower utilization in Canada and the United States. Utilization per operating day in the Canadian contract drilling segment decreased to 59%, which was higher than the CAODC industry average of 45% but lower than 65% in the fourth quarter of 2013. In the United States, contract drilling utilization per operating day remained strong at 85% as compared to 87% in the same period of the prior year, as the fleet was essentially fully utilized in both periods;
- Well servicing activity increased in most of Western's operating areas, particularly the focus on steam assisted gravity drainage ("SAGD") work in the oil sands in northern Alberta resulted in well servicing utilization improving to 58% in the fourth quarter of 2014 as compared to 53% in the fourth quarter of 2013;
- Adjusted EBITDA totalled $50.4 million (39% of Operating Revenue) in the fourth quarter of 2014 as compared to $43.5 million (36% of Operating Revenue) in the same period of the prior year. The increase in Adjusted EBITDA is mainly due to improved rates in the contract drilling segment and higher pricing and utilization in the production services segment;
- Although actual results were as expected, and have improved year over year, as a result of the declining commodity price environment and the reduced outlook for oilfield services activity and pricing, Western recorded an impairment loss on goodwill in the production services segment of $22.7 million, as well as a loss on the decommissioning of a shallow drilling rig, used drilling equipment and underutilized oilfield rental equipment totalling $7.2 million;
- During the fourth quarter of 2014, capital expenditures totalled $31.1 million and included $23.6 million of expansion capital, $5.6 million of maintenance capital and $1.9 million for rotational equipment. Capital spending mainly relates to Western's rig build program which incurred costs on the construction of one slant well servicing rig and four drilling rigs, one of which was commissioned in the period;
- On December 18, 2014, Western increased its four year extendible credit facility (the "Revolving Facility") to $175.0 million from $125.0 million previously, with a maturity date extension to December 17, 2018, and increased Western's operating demand revolving loan (the "Operating Facility") to $20.0 million from $10.0 million previously.

Full Year 2014 Highlights:

- Operating Revenue totalled $474.1 million, a $121.0 million increase (or 34%) over the prior year due to higher utilization, improved day rates, and a larger average drilling rig fleet in the contract drilling segment, as well as improved utilization and pricing, in addition to the increased size and scale of Western's production services segment following the acquisition of IROC Energy Services Corp. ("IROC") in April of 2013;
- Contract drilling utilization per operating day in Canada averaged 58%, as compared to the CAODC industry average of 44% and 55% in the prior year. In the United States, contract drilling utilization per operating day increased by 1,600 bps to 83% as compared to 67% in 2013. With the exception of downtime related to the completion of two 1,500 hp AC pad conversions in the first half of 2014, the United States fleet was essentially fully utilized in 2014;
- Total well servicing hours in Western's production services segment increased 64% to 127,768 from 77,879 in 2013. The increase is attributed to improved utilization, which increased to 54% in 2014 as compared to 45% in the prior year, coupled with the increased size and scale of Western's well servicing operations subsequent to the IROC acquisition;
- Adjusted EBITDA totalled $176.8 million (37% of Operating Revenue) in 2014 as compared to $117.4 million (33% of Operating Revenue) in 2013. The increase in Adjusted EBITDA reflects the increased activity, improved day rates and the larger drilling rig fleet in the contract drilling segment, as well as improved utilization and pricing, in addition to the increased size and scale of Western's production services segment and effective cost control in all of Western's divisions;
- Capital expenditures totalled $108.6 million and include $85.2 million of expansion capital, $14.8 million of maintenance capital and $8.6 million of rotational equipment. Capital spending mainly relates to the drilling rig build program in the contract drilling segment as three drilling rigs were commissioned in 2014, with an additional three drilling rigs under construction at year end. Additionally, two 1,500 hp AC pad conversions were completed in the United States in the second quarter of 2014.

Selected Financial Information

(stated in thousands, except share and per share amounts)

Financial Highlights	Three months ended December 31			Year ended December 31		
	2014	2013	Change	2014	2013	Change
Revenue	139,210	129,713	7%	507,832	379,943	34%
Operating Revenue(1)	129,181	119,831	8%	474,120	353,124	34%
Gross Margin(1)	57,826	52,980	9%	207,231	147,559	40%
Gross Margin as a percentage of Operating Revenue	45%	44%	2%	44%	42%	5%
Adjusted EBITDA(1)	50,419	43,543	16%	176,777	117,423	51%
Adjusted EBITDA as a percentage of Operating Revenue	39%	36%	8%	37%	33%	12%
Cash flow from operating activities	47,830	36,866	30%	181,351	114,358	59%
Capital expenditures	31,071	27,529	13%	108,604	95,234	14%
Net income (loss)	(8,164)	15,797	(152%)	36,450	35,246	3%
-basic net income (loss) per share	(0.11)	0.22	(150%)	0.49	0.51	(4%)
-diluted net income (loss) per share	(0.11)	0.21	(152%)	0.48	0.50	(4%)
Weighted average number of shares						
-basic	74,882,690	73,374,219	2%	74,396,701	69,032,574	8%
-diluted	74,927,714	73,654,868	2%	75,427,149	69,873,460	8%
Outstanding common shares as at period end	74,866,028	73,386,191	2%	74,866,028	73,386,191	2%
Dividends declared	5,614	5,504	2%	22,376	20,983	7%

(1) See “Financial Measures Reconciliations” included in this press release.

Operating Highlights	Three months ended December 31			Year ended December 31		
	2014	2013	Change	2014	2013	Change
Contract Drilling						
Canadian Operations:						
Contract drilling rig fleet:						
-Average	50	46	9%	49	45	9%
-End of period	49	47	4%	49	47	4%
Operating Revenue per revenue day(1)	27,104	26,060	4%	26,178	24,829	5%
Operating Revenue per operating day(2)	29,710	28,884	3%	28,699	27,513	4%
Drilling rig operating days(3)	2,724	2,754	(1%)	10,478	9,098	15%
Drilling rig utilization per revenue day(4)	65%	72%	(10%)	64%	61%	5%
Drilling rig utilization rate per operating day(5)	59%	65%	(9%)	58%	55%	5%
CAODC industry average utilization rate(5)	45%	43%	5%	44%	40%	10%
United States Operations:						
Contract drilling rig fleet:						
-Average	5	5	-%	5	5	-%
-End of period	5	5	-%	5	5	-%
Operating Revenue per revenue day (US$)(1)	28,309	23,457	21%	26,124	22,507	16%
Operating Revenue per operating day (US$)(2)	31,876	26,559	20%	29,680	26,942	10%
Drilling rig operating days(3)	385	402	(4%)	1,506	1,228	23%
Drilling rig utilization per revenue day(4)	95%	99%	(4%)	94%	81%	16%
Drilling rig utilization per operating day(5)	85%	87%	(2%)	83%	67%	24%
Production Services						
Well servicing rig fleet:						
-Average	65	65	-%	65	48	35%
-End of period	65	65	-%	65	65	-%
Operating Revenue per service hour(2)	837	804	4%	817	766	7%
Total service hours	34,456	31,403	10%	127,768	77,879	64%
Service rig utilization rate(6)	58%	53%	9%	54%	45%	20%

(1) Operating Revenue per revenue day is calculated using Operating Revenue divided by operating and mobilization days.
(2) Operating Revenue per operating day and per service hour are calculated using Operating Revenue divided by operating days and service hours, respectively.
(3) Drilling rig operating days are calculated on a spud to rig release basis.
(4) Drilling rig utilization rate per revenue day is calculated based on operating and mobilization days divided by total available days.
(5) Drilling rig utilization rate per operating day is calculated on operating days only (i.e. spud to rig release basis) divided by total available days.
(6) Service rig utilization rate is calculated based on actual well servicing hours divided by available hours, being 10 hours per day, per well servicing rig, 365 days per year.

Financial Position at (stated in thousands)	December 31, 2014	December 31, 2013	Change
Working capital	78,336	50,616	55%
Property and equipment	827,306	783,225	6%
Total assets	1,057,118	986,792	7%
Long term debt	264,165	262,877	-%

Western is an oilfield service company focused on three core business lines: contract drilling, well servicing and oilfield rental equipment services. Western provides contract drilling services through its division, Horizon Drilling ("Horizon") in Canada, and its wholly owned subsidiary Stoneham Drilling Corporation ("Stoneham"), in the United States. Subsequent to the acquisition of IROC on April 22, 2013, Western provides well servicing operations in Canada through Western Energy Services Partnership's (the "Partnership") division, Eagle Well Servicing ("Eagle"). Previously, well servicing operations were conducted through Western's division, Matrix Well Servicing ("Matrix"). Western also provides oilfield rental equipment services in Canada through the Partnership's division, Aero Rental Services ("Aero"). Financial and operating results for Eagle and Aero from the date of the acquisition, as well as Matrix, are included in Western's production services segment.

Western currently has a drilling rig fleet of 54 rigs, with an average age of approximately seven years. Western is the sixth largest drilling contractor in Canada with a fleet of 49 rigs operating through Horizon. Additionally, Western has five Efficient Long Reach ("ELR") triple drilling rigs deployed in the United States operating through Stoneham. Western is also the seventh largest well servicing company in Canada with a fleet of 65 rigs operating through Eagle. Western's well servicing rig fleet is one of the newest in the Western Canadian Sedimentary Basin ("WCSB"), with an average age of approximately five years. Western's oilfield equipment rental division, which operates through Aero, provides oilfield rental equipment for frac services, well completions and production work, coil tubing services and drilling.

Commodity prices such as crude oil and natural gas impact the cash flow of Western's customers, which in turn impacts the demand for Western's services. Overall performance of the Company was affected by the volatility of crude oil in the second half of 2014. Crude oil prices were strong in the first six months of 2014, however weakened significantly in the last half of 2014. During the first six months of 2014, light oil such as West Texas Intermediate ("WTI") averaged approximately US$95/bbl, while during the last half of 2014, WTI averaged approximately US$85/bbl and approximately US$73/bbl in the fourth quarter of 2014. From its peak in June 2014 of approximately US$103/bbl to the December 31, 2014 exit price of approximately US$53/bbl, WTI decreased by approximately 49%. Similarly, the price for heavy oil, such as Western Canadian Select ("WCS"), averaged approximately $89/bbl in the first half of 2014, while during the last six months of 2014, WCS averaged approximately $75/bbl and approximately $65/bbl in the fourth quarter of 2014. From its highest price in June 2014 of approximately $95/bbl to approximately $43/bbl at the end of the year, WCS decreased by approximately 55%. On a year over year basis, the average price of WTI decreased by approximately 5% in 2014, while WCS increased by approximately 11% as compared to the prior year. Natural gas prices have marginally improved to average approximately $4/mcf in the fourth quarter of 2014, a 3% increase as compared to the same period in 2013. However, from February 2014 when AECO averaged approximately $7/mcf to the exit price of approximately $3/mcf at December 31, 2014, AECO decreased by approximately 57%. Year over year, the AECO 30-day spot rate increased on average by 44% as heating demand increased in the first quarter due to a cold winter, resulting in decreased storage levels across North America.

Despite the reduction in commodity prices in the last half of the year, strong demand for oilfield services resulted in increased drilling of horizontal wells in both conventional and unconventional resource plays. Horizontal wells in the WCSB, as a percentage of all wells drilled, increased in the year ended December 31, 2014 to 75%, as compared to 70% in the prior year. This has resulted in continued demand in the WCSB for Western's ELR drilling rigs, as industry utilization rates for the year ended December 31, 2014 averaged 44%, which is consistent with the five year average and an improvement over the prior year when industry utilization averaged 40%.

Outlook

Western's drilling rig fleet is specifically suited for drilling horizontal wells of increased complexity. In total, 96% of Western's fleet are ELR drilling rigs with depth ratings greater than 3,000 meters and all of Western's rigs are capable of drilling resource based horizontal wells. Currently, 12 of Western's 54 drilling rigs (or 22%) are operating under long term take-or-pay contracts, with 5 of these contracts committed into 2016 and 2017, providing a base level of future revenue. These contracts typically generate 250 operating days per year in Canada, as spring breakup restricts activity during the second quarter, while in the United States these contracts typically range from 330 to 365 revenue generating days per year.

Western's revised capital budget for 2015 totals approximately $46 million comprised of $21 million of carry forward capital from 2014, $6 million in expansion capital and $19 million in maintenance capital. The revised capital budget reflects a net decrease of $18 million from Western's previously announced budget of $64 million. The following table summarizes the changes in the 2015 capital budget:

Capital Expenditures (stated in millions)	Original 2015 Budget	Cancellations	Increased 2014 Carry Forward	Revised 2015 Budget	Variance
Expansion	6	-	-	6	-
Maintenance	36	(17)	-	19	(17)
Carry forward	22	(4)	3	21	(1)
Total Capital Expenditures	64	(21)	3	46	(18)

Revised carry forward capital of $21 million relates to the completion of two 5,000m telescopic ELR double drilling rigs, one 6,000m ELR AC triple pad drilling rig and one slant well servicing rig. Expansion capital of $6 million relates to additional oilfield rental equipment, while maintenance capital of $19 million includes $13 million for the contract drilling segment and $6 million for the production services segment. Included in the maintenance capital budget is $1 million related to rotational equipment. In addition, the majority of the capital budget has been deferred until the second half of 2015 and will be further postponed or cancelled if market conditions continue to deteriorate. Western believes the 2015 capital budget provides a prudent use of cash resources and ensures that it continues to maintain its balance sheet flexibility, allowing for the execution on strategic opportunities as they arise, or alternatively adjust downward, if the downturn in oilfield service activity is prolonged. This budget demonstrates the Company's commitment to maintaining its drilling and well servicing rig fleets while expanding Western's strategic presence in the oilfield rental equipment market. Western will continue to evaluate and expand its operations in a disciplined manner and make any required adjustments to its capital program as customer demand improves.

The continued pressure on crude oil and natural gas prices, which are currently near five year lows, has resulted in reductions to the capital spending plans for the majority of our customers. In some cases, the capital spending reductions have been significant. While activity in the first two months of 2015 has been constant, although lower than in the same period of the prior year, Western currently expects an early end to first quarter activity, due to the current commodity price environment. Activity levels throughout the oilfield services industry for the remainder of 2015 are expected to be significantly lower as compared to 2014, resulting in utilization and price reductions across all of Western's business lines. Lower activity and pricing pressure, will impact Western's Adjusted EBITDA and cash flow from operating activities. Western's variable cost structure, under which approximately 80% of operating and administrative costs are variable, and prudent capital budget will aid in preserving balance sheet strength. At December 31, 2014, Western's net debt to trailing 12 month EBITDA ratio was 1.1. In addition to $62.7 million in cash and cash equivalents at December 31, 2014, Western has $175 million available on the Revolving Facility, which does not mature until December 17, 2018, $20 million available on the Operating Facility, and no principle repayments are due on the $265 million Senior Notes until they mature on January 30, 2019. As such, Western is well positioned to manage the current slowdown in activity and maintain a sustainable dividend.

Oilfield service activity will be impacted by the development of resource plays in Alberta and northeast British Columbia including those related to liquefied natural gas projects, increased crude oil transportation capacity through rail and pipeline development and foreign investment into Canada. Currently, the largest challenges facing the oilfield service industry are producer spending constraints as a result of lower commodity prices, pricing differentials on Canadian crude oil, and the challenge to attract and retain skilled labour. The Company believes Western's modern drilling and well servicing rig fleet, above industry average utilization, and corporate culture will provide a distinct advantage in retaining and attracting qualified individuals. Western's view is that its modern fleet, strong customer base and solid reputation provide a competitive advantage which will enable the Company to continue its growth strategy and higher than industry average utilization.

Quarterly Dividend

On February 26, 2015, Western's Board of Directors declared a quarterly dividend of $0.075 per share, which will be paid on April 16, 2015, to shareholders of record at the close of business on March 31, 2015. The dividends are eligible dividends for Canadian income tax purposes. On a prospective basis, the declaration of dividends will be determined on a quarter-by-quarter basis by the Board of Directors.

Normal Course Issuer Bid

On December 15, 2014, Western initiated a normal course issuer bid (the "Bid"), which has been filed with and accepted by the Toronto Stock Exchange. Pursuant to the Bid, Western may purchase for cancellation up to 5,550,000 common shares of the Company. 23,400 common shares for a total cost of approximately $0.1 million were repurchased in the fourth quarter of 2014.

Financial Measures Reconciliations

Western uses certain measures in this press release which do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS"). These measures which are derived from information reported in the consolidated statements of operations and comprehensive income may not be comparable to similar measures presented by other reporting issuers. These measures have been described and presented in this press release in order to provide shareholders and potential investors with additional information regarding the Company.

Operating Revenue

Management believes that in addition to revenue, Operating Revenue is a useful supplemental measure as it provides an indication of the revenue generated by Western's principal operating activities, excluding flow through third party charges.

Gross Margin

Management believes that in addition to net income, Gross Margin is a useful supplemental measure as it provides an indication of the results generated by Western's principal operating activities prior to considering administrative expenses, depreciation and amortization, how those activities are financed, the impact of foreign exchange, how the results are taxed, how funds are invested, and how non-cash items and one-time gains and losses affect results.

The following table provides a reconciliation of revenue under IFRS, as disclosed in the consolidated statements of operations and comprehensive income, to Operating Revenue and Gross Margin:

	Three months ended December 31		Year ended December 31	
(stated in thousands)	2014	2013	2014	2013
Operating Revenue				
Drilling	94,877	90,754	350,105	284,469
Production Services	34,447	29,275	125,404	69,004
Less: inter-company eliminations	(143)	(198)	(1,389)	(349)
	129,181	119,831	474,120	353,124
Third party charges	10,029	9,882	33,712	26,819
Revenue	139,210	129,713	507,832	379,943
Less: operating expenses	(98,524)	(92,901)	(363,603)	(280,980)
Add:				
Depreciation – operating	16,740	15,916	61,991	47,701
Stock based compensation – operating	400	252	1,011	895
Gross Margin	57,826	52,980	207,231	147,559

Adjusted EBITDA

Management believes that in addition to net income, earnings before interest and finance costs, taxes, depreciation and amortization, other non-cash items and one-time gains and losses ("Adjusted EBITDA") is a useful supplemental measure as it provides an indication of the results generated by the Company's principal operating segments similar to Gross Margin but also factors in the cash administrative expenses incurred in the period.

Operating Earnings

Management believes that in addition to net income, Operating Earnings is a useful supplemental measure as it provides an indication of the results generated by the Company's principal operating segments similar to Adjusted EBITDA but also factors in the depreciation expense charged in the period.

The following table provides a reconciliation of net income under IFRS, as disclosed in the consolidated statements of operations and comprehensive income, to EBITDA, Adjusted EBITDA and Operating Earnings:

	Three months ended December 31		Year ended December 31	
(stated in thousands)	2014	2013	2014	2013
Net income (loss)	(8,164)	15,797	36,450	35,246
Add:				
Finance costs	4,897	5,155	20,782	17,058
Income taxes	5,784	5,302	22,311	13,000
Depreciation – operating	16,740	15,916	61,991	47,701
Depreciation – administrative	444	345	1,776	1,431
EBITDA	19,701	42,515	143,310	114,436
Add:				
Stock based compensation – operating	400	252	1,011	895
Stock based compensation – administrative	1,073	413	2,827	1,596
Impairment loss on property and equipment	7,247	-	7,247	-
Impairment loss on goodwill	22,668	-	22,668	-
Other items	(670)	363	(286)	496
Adjusted EBITDA	50,419	43,543	176,777	117,423
Subtract:				
Depreciation – operating	(16,740)	(15,916)	(61,991)	(47,701)
Depreciation – administrative	(444)	(345)	(1,776)	(1,431)
Operating Earnings	33,235	27,282	113,010	68,291

2014 Fourth Quarter Results Conference Call and Webcast

Western has scheduled a conference call and webcast to begin at 12:00 p.m. MST (2:00 p.m. EST) on Friday, February 27, 2015.

The conference call dial-in number is 1-888-231-8191.

A live webcast of the conference call will be accessible on Western's website at www.wesc.ca by selecting "*Investors*", then "*Webcasts*". Shortly after the live webcast, an archived version will be available for approximately 14 days.

An archived recording of the conference call will also be available approximately one hour after the completion of the call until March 13, 2015 by dialing 1-855-859-2056 or 416-849-0833, passcode 64127463.

Forward-Looking Statements and Information

This press release contains certain statements or disclosures relating to Western that are based on the expectations of Western as well as assumptions made by and information currently available to Western 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 anticipates or expects may, or will occur in the future (in whole or 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, forward-looking information in this press release includes, but is not limited to, statements relating to the future demand for the Company's services and equipment; the terms of existing and future drilling contracts in Canada and the US and the revenues resulting therefrom (including the number of operating days typically generated from the Company's contracts); the Company's expansion and maintenance capital plans for 2015, including the ability of current capital resources to cover Western's financial obligations and the 2015 capital budget; the Company's expected sources of funding to support such capital plans and the Company's plans to postpone capital spending if market conditions continue to deteriorate; expectations as to the increase in crude oil transportation capacity through rail and pipeline development; expectations as to the necessary approvals for liquefied natural gas projects being obtained; the expectation of continued foreign investment into the Canadian oilfield industry; the expectation of an early end to first quarter activity; the expectation of significantly lower activity levels in the oilfield services industry in 2015 (compared to 2014); and the expectation that producer spending constraints will continue to be a large challenge facing the Company in 2015.

The material assumptions in making the forward-looking statements in this press release include, but are not limited to, assumptions relating to, demand levels and pricing for oilfield services; fluctuations in the price and demand for oil and natural gas; the continued low levels of and pressures on commodity pricing; the continued business relationship between the Company and its one significant customer; general economic and financial market conditions; the development of liquefied natural gas projects, crude oil transport and pipeline approval and development; the Company's ability to finance its operations; the effects of seasonal and weather conditions on operations and facilities; the competitive environment to which the various business segments are, or may be, exposed in all aspects of their business; the ability of the Company's various business segments to access equipment (including spare parts and new technologies); changes in laws or regulations; currency exchange fluctuation; the ability of the Company to attract and retain skilled labour and qualified management; the ability to retain and attract significant customers; and other unforeseen conditions which could impact the use of services supplied by Western including Western's ability to respond to such conditions.

Although Western believes that the expectations and assumptions on which such forward-looking statements and information are based on are reasonable, undue reliance should not be placed on the forward-looking statements and information as Western cannot give any assurance that they will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risk that the demand for oilfield services will not continue to improve for the remainder of 2015 and that commodity price levels will remain low, and other general industry, economic, market and business conditions. Readers are cautioned that the foregoing list of risks, uncertainties and assumptions are not exhaustive. Additional information on these and other risk factors that could affect Western's operations and financial results are included in Western's annual information form which may be accessed through the SEDAR website at www.sedar.com. The forward-looking statements and information contained in this press release are made as of the date hereof and Western does not undertake any obligation to update publicly or revise any forward-looking statements and information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

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