

## PHX Energy Announces Fourth Quarter Operations Update and its 2017 Capital Expenditure Program

PHX Energy Services Corp. ("**PHX Energy**" or the "**Corporation**") (TSX: PHX) announces that its Board of Directors (the "**Board**") has approved a 2017 capital expenditure program of \$12.5 million (the "**2017 program**"). Currently, both commodity prices and industry activity levels are showing positive signs and improvements and PHX Energy is cautiously optimistic that this modest industry recovery will continue in 2017. The Corporation is experiencing improved activity levels in North America in the fourth quarter of 2016 when compared to prior quarters of the year. Additionally, operations in Albania have been active through the quarter and Russian activity has remained steady.

Through 2016 PHX Energy has remained strategically focused on developing differentiating technologies that support the growth of higher margin service offerings. These mainly consist of its Velocity Real-time System ("**Velocity**") and its Stream Services ("**Stream**") division's electronic drilling recorder ("**EDR**") platform. During the year, PHX Energy experienced increased demand for both Stream's platform and Velocity systems, and additional capacity has been added in the fourth quarter.

Stream is currently ahead of forecasted utilization, operating for existing and new clients on 25 active rigs in western Canada. Stream has expanded its Canadian footprint to the Deep Basin and is currently operating on its first rig in this area. In 2017, PHX Energy plans to continue to grow Stream's presence in existing and new markets in North America, including additional Canadian basins and US basins.

The Corporation's Velocity fleet is currently operating at maximum capacity. The majority of the systems are deployed to the Permian basin where this technology excels and offers significant advantages over conventional measurement while drilling technology.

In 2017, PHX Energy intends to continue to focus on differentiating and diversifying its service offering by further expanding the fleets of these two product lines. PHX Energy currently plans to allocate approximately \$10 million of its 2017 capital expenditure program towards expanding Velocity capacity to 55 systems and EDR capacity to 50 systems. With the recent positive uptick in industry activity and commodity prices, the Corporation believes demand will continue to outpace supply for these technologies and further additions may be required.

PHX Energy believes its 2017 program reflects a disciplined approach to capital spending, and given continued market volatility the Corporation will continually evaluate the 2017 program on an ongoing basis.

## **About PHX Energy Services Corp.**

The Corporation, through its directional drilling subsidiary entities, provides horizontal and directional drilling technology and services to oil and natural gas producing companies in Canada, the US, Russia and Albania. PHX Energy also provides EDR technology and services.

## **Forward Looking Statements**

Certain statements contained in this document constitute "forward looking statements" and/or "forward looking information" within the meaning of applicable securities laws (collectively referred to as "forward looking statements"). When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions, are intended to identify forward looking statements. Such statements reflect the current views of PHX Energy with respect to future events, and speak only as of the date of this press release. In particular, this press release contains forward looking statements pertaining to the Corporation's 2017 capital expenditure plans, the source of funding the 2017 program, the anticipated expansion of the Stream division, growth in activity levels, the demand for services and the anticipated fleet capacity. Where deemed prudent, the Corporation may make adjustments to its 2017 program. Actual spending may vary due to any number of factors.

Forward looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether such results will be achieved. Readers are cautioned not to place undue reliance on these statements as a number of factors could cause actual results to differ materially from the results discussed in these forward looking statements, including but not limited to those factors referred to under the heading "Risk Factors" in the Corporation's Annual Information Form ("**AIF**") for the year ended December 31, 2015 and the Corporation's management's discussion and analysis for the three and nine months ended September 30, 2016. Although forward looking statements contained in this press release are based upon what the Corporation believes are reasonable assumptions, the Corporation cannot assure investors that actual results will be consistent with these forward looking statements. The forward looking statements in this press release are expressly qualified by this cautionary statement. Unless otherwise required by applicable securities laws, PHX Energy does not intend, or assume any obligation, to update or revise these forward looking statements.

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