



## PRODUCTION ENHANCEMENT GROUP, INC.

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For Immediate Release

September 22, 2006

### PEG MOVES TO DOUBLE SERVICE LOCATIONS WITH ACQUISITION

**HOUSTON, TEXAS and CALGARY, ALBERTA - Production Enhancement Group, Inc. (TSX: WIS)** (“PEG” or the “Company”) has signed a letter of intent (“LOI”) to purchase Wireline Specialists of Louisiana, Inc. (“WSL”) in an arms-length transaction. WSL is a private well services company with 21 offshore wireline units, 8 land wireline units, and service locations in Louisiana and Texas. PEG plans to integrate WSL into its WISE™ Well Intervention operations, although WSL would continue to operate under its present identity for a transitional period. The acquisition would double the number of WISE Well Intervention service locations.

Under the terms of the LOI, PEG intends to pay USD 9.0 million for WSL, which includes WSL’s existing debt of approximately USD 2.2 million and a balance due the selling shareholders of approximately USD 6.8 million paid 50% in cash and 50% in PEG shares. The cash requirements are expected to be financed by an expansion of PEG’s senior facility with GE Energy Finance and through a subordinated debt financing currently in process. The proposed financing structure minimizes total share dilution as a majority of the purchase price will be financed by debt, and the shares issued to selling shareholders — most of whom will remain with the company — will be subject to a 2-year hold period and will be valued at the greater of CAD 2.00 per share (subject to an adjustment provision) or the actual share price at the time of closing.

The transaction, which is subject to a number of conditions, including satisfactory completion of due diligence and Toronto Stock Exchange approval, is expected to close in approximately four months.

The WSL acquisition is a significant step in PEG’s previously announced growth plan, according to Philip Crawford, PEG’s CEO: “We expect this acquisition to be immediately accretive to PEG’s revenue, earnings, and cash flow from operations. It also adds wireline to our coiled tubing, nitrogen, and pressure pumping services, advancing our plan to become a full-line well intervention company. Finally, it allows us to move our WISE multifunction coiled tubing units and services into the markets where WSL currently operates. Our priority is to exploit the proven competitive advantages of patented WISE multifunction systems through strategic acquisitions in the U.S. and Canada. With their strong customer base, proven management team, and history of successful operations, WSL is an excellent acquisition candidate for us.”

Jim Hutchinson, Chairman of WSL, sees the transaction as the best opportunity to take his company to the next level: “We are truly excited at the prospect of becoming part of the Production Enhancement Group organization. We like PEG’s commitment to innovative technology, superior service, and strategic growth. Our customers will benefit from the expanded service portfolio, our employees will benefit from being part of the strong and well capitalized PEG organization, and our shareholders expect substantial upside from a continued equity participation in the Company.”

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The WSL acquisition would increase the number of locations from which PEG deploys its patented WISE multifunction coiled tubing units from three to six. Currently, PEG operates from service locations in Lafayette, LA, Laurel, MS, and Rosharon, TX. The acquisition would add facilities in Shreveport, LA, Yoakum, TX, and Kingsville, TX. WSL's main facility in Lafayette would be consolidated with PEG's existing WISE Well Intervention facility, and WSL's operation in Alvin, TX, would be combined with the PEG's WISE facility in Rosharon, TX. PEG will initially deploy a minimum of one new WISE multifunction coiled tubing unit and one new WISE pressure pumping unit in each of the three new markets, leveraging WSL's facilities, customer base, and market presence. PEG estimates that the acquisition of WSL and deployment of these 6 new units will increase the Company's revenues by approximately 80% over its current run rate.



**About Production Enhancement Group**

Production Enhancement Group, a Houston-based energy services company incorporated in Alberta, Canada, trades on the TSX under the symbol WIS. PEG owns patented WISE™ multifunction coiled tubing technologies and markets a full range of coiled tubing and pressure pumping services.

WISE is a trademark of Production Enhancement Group, Inc.

*The TSX does not accept responsibility for the adequacy or accuracy of this release.*

**Forward-Looking Statements**

*This release and PEG's website referenced in this release contain forward-looking statements, including expectations of future components of cash flow and earnings. Investors are cautioned that assumptions used in the preparation of such information may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted, a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of PEG. These risks include, but are not limited to the risks associated with the oil and gas industry, commodity prices, and exchange rate changes. Industry related risks could include, but are not limited to operational risks in exploration, development, and production, delays or changes in plans, and health and safety risks, including, without limitation, costs and expenses. The risks outlined above should not be construed as exhaustive. Investors are cautioned not to place undue reliance on any forward-looking information. PEG undertakes no obligation to update or revise any forward-looking statements.*

**For further information**, visit [www.productionenhancement.com](http://www.productionenhancement.com) or contact:

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