



PRESS RELEASE

DIVERGENT Energy Services Corp. Provides Update on Status of Second Generation Linear Electric Submersible Pump

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CALGARY, ALBERTA – March 31, 2016. **DIVERGENT Energy Services Corp. (“Divergent”)** provides the following update on the status of its Second Generation Linear Electric Submersible Pump (the “Pump”), which was installed in an oil well in Southeast Saskatchewan and successfully started-up on January 22, 2016.

Since installation, the Pump has run a total of 23 days, during which it exceeded expectations. Divergent’s Pump operated at 92% efficiency, producing fluid at 20.4 m³/d (128 bbl/d); a typical industry pump runs at an efficiency rating of 80% and would have produced an expected rate of 17.8 m³/d (112 bbl/d). Despite this positive preliminary performance, several operational interruptions have prevented the Pump from achieving the planned continuous run-time. These interruptions included two separate instances of ground faults within a cable provided by a third party, and a decoupling of the pump shaft from the motor. A detailed description of each incident, actions taken to rectify the issues and the current status of the Pump is outlined below.

Based on the success of the 23 days of run time, Divergent has ordered additional Pumps using proceeds from the recently closed first tranche of the private placement financing which was announced March 22, 2016. Divergent anticipates the next shipment of Pumps will arrive by the end of April, with installations to follow in May depending on the client’s access to auxiliary services, personnel, and spring weather conditions known as “break up”. Divergent will continue to provide updates as events occur and as milestones related to the Pump are met.

Divergent has also arranged new commercial terms from the manufacturer for this shipment, with additional term improvements to be established as purchase volumes increase. The terms stemmed from a series of meetings in which the two parties remain aligned on the long-term impact of the technology to the energy industry, and the need to remove any and all barriers to the rapid commercialization of the Pump.

Resolution of Electric Cable Ground Faults

On January 29, 2016, a ground fault was observed in the third-party supplied electric cable that transmits power to the motor. The Pump was removed from the well to inspect all components, and upon confirmation that the Pump was unaffected, the cable was repaired. The Pump was reinstalled and successfully restarted on February 12, 2016, continuing to produce at consistently strong rates of 20.4 m³/d (128 bbl/d).

On February 26, 2016, the previously repaired electric cable experienced a second ground fault requiring removal of the Pump from the well in order to completely replace the cable. The Pump was re-installed on March 4, 2016 with a new electric cable and resumed the previously observed production rates.

Shaft Decoupling

On March 7, 2016 the well ceased producing fluid despite observations that the Pump was operating normally. After exhausting several standard procedures to determine if wellbore conditions were preventing the Pump from

producing fluid, the Pump was removed from the well for inspection and assessment which revealed that the motor's shaft had disconnected from the pump's shaft just above the coupling that joins them. As a result, the motor was reciprocating but was not moving the pump. Each component was individually tested; the motor section was connected to power and the pump section was manually operated and both were confirmed to be functioning properly.

System Software Protocols

Divergent is conducting extensive examinations of the complete Pump and its components in order to fully understand the definitive factors causing the shaft separation, and to ensure the incident did not cause damage to the motor section. Based on information gathered at this time we believe that two factors, related to the control system's software, may have contributed to the shaft decoupling.

- **Pump Acceleration Mode:** The control system has been set to have the motor reach its stroke velocity with maximum acceleration, which may have placed excessive tensile and compressive stress on the pump shaft. The control system can be set to operate in a moderate acceleration mode which will reduce the stress on the shaft.
- **Motor Shaft Positioning:** As with any reciprocating pump, the moving parts are not intended to contact the ends of the pump housing in either direction. To ensure this doesn't happen, the control software includes a regular positioning test. The test involves confirming the pump's plunger position in relation to its housing by moving downward until the pump's plunger contacts the bottom of its housing. These regular positioning tests can cause a small tensile force on the shaft, and its repetitive nature may have contributed to the stress placed on the pump shaft. The system can be set to eliminate or reduce the frequency of the test.

We anticipate that the existing Pump will be reinstalled back into the well following corrective maintenance.

ABOUT DIVERGENT ENERGY SERVICES CORP.

Headquartered in Calgary, Alberta, DIVERGENT Energy Services Corp. provides an array of artificial lift products and services that are used in the oil and gas industry, including its revolutionary Linear Electric Submersible Pump. Divergent's Pump is approaching commercialization and is targeted to replace traditional oil pumpjacks. Other Divergent products currently in use by its oil and gas industry customers include Electric Submersible Pumps and Electric Submersible Progressing Cavity Pumps.

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