

THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

Enservco Corporation (ENSV.OB)

MICHAEL D. HERMAN became Enservco Corporation's Chairman and Chief Executive Officer on July 27, 2010, following a merger with Aspen Exploration Corporation. Mr. Herman was Chairman of Enservco's predecessor, Dillco Fluid Service, Inc., since December 2007 and of its Heat Waves Hot Oil Service subsidiary from March 2006. Since 2005, he has served as the Chairman of Pyramid Oil Company, a California corporation involved in acquiring and developing oil and natural gas wells. Mr. Herman was the Chairman and Owner of Key Food Ingredients Ltd. from January 2005 until October 2007. Key Food supplies dehydrated vegetables from its factory in Qingdao, China, to customers worldwide. Mr. Herman was Chairman and Owner of TeleMatrix, Inc., from October 1992 until December 1998, when that company was sold to a major hospitality company, and he repurchased a majority ownership interest in December 2004 and held that majority ownership interest until April 2006. TeleMatrix, Inc., designs and distributes communications products and telephones to hospitality and business customers globally. From November 2003 until February 2005, Mr. Herman was Chairman and majority stockholder of Fort Lauderdale-based Sunair Electronics but chose not to stand for re-election as a Director in February 2006. Sunair Electronics is engaged in the design, manufacture and sale of high-frequency communications equipment for long-range voice and data applications.

SECTOR — ENERGY

TWST: Please give us a brief history of Enservco.

Mr. Herman: We launched the company in 2006 with the idea that investing in energy, specifically oil and gas energy services, made long-term sense. I have extensive experience traveling and investing in Asia and China, and have witnessed firsthand what impact that region's transformation has had on its energy demand. We believe that the long-term energy needs of the world's emerging economies, coupled with political instability among key energy suppliers, is going to put increased pressure on the United States to find new domestic sources of production. We also believed that this situation would create significant opportunities for U.S. companies that were positioned to capitalize on this shifting global dynamic.

Our first move into the services sector came in 2006 when we acquired Heat Waves Hot Oil Service. Heat Waves was a regional provider of well-enhancement services to exploration and production companies operating in the Rocky Mountains and Central United States. That acquisition brought a strong customer base as well as a solid business platform offering fluid heating, acidizing, and water hauling and disposal services. A year later, we acquired Kansas-based Dillco Fluid Service, which is a nearly 40-year-old business that provides well-site, fluid-management services to customers in western Kansas and northwestern Oklahoma.

In July 2010, we went public by merging with Aspen Exploration of Denver, Colo. Aspen had been in business for many years in the E&P sector. They made the decision to sell their oil and gas production assets and distribute the proceeds to their shareholders to, in effect, dissolve the public entity. We convinced the Aspen board to remain public and to only distribute a portion of the proceeds, which left approximately \$3.5 million in cash and equivalents in the public entity at the time of our merger.

Our decision to transition into a public company has provided us with the currency to raise growth capital, make acquisitions and provide an incentive to current and potential employees. Finally, we changed the name of the company to Enservco in July of last year.

TWST: You're one of the Founders of Enservco, correct?

Mr. Herman: Correct. I'm one of the Founders of the entity that purchased the private companies.

TWST: What are the services you currently offer?

Mr. Herman: Currently, we offer well stimulation and fluid-management services. Well-stimulation services include acidizing, hot oiling and frac heating. Acidizing and hot oiling services are primarily used in the maintenance of existing wells and for assisting in the separation of oil and water and other impurities in the field. Frac heating involves the heating of water that is combined with sand and other chemicals and injected into wells during hydraulic fracturing. Our fluid management ser-

vices involve hauling fresh water for hydraulic fracturing, and hauling and disposing of wastewater generated by existing wells.

Clearly, one of the key functions we provide our customers involves various types of fluid heating. In many of the cooler domestic regions — like Pennsylvania, North Dakota and Colorado — our customers require that their frac fluids flow at specific temperatures. So we literally go to the well site and heat water in tanks or pits near the well to temperatures of 70 or 80 degrees or higher.

We also provide oil heating. When oil is pumped out of wells, it is generally accompanied by water and other impurities, and all of this is pumped into storage tanks prior to being transported to the refinery. In the cold months, these fluids and impurities don't separate effectively. So well operators hire us to pull the oil and the other fluids out of the tanks, run them through the super heaters on our trucks and then pump the fluids back into the tanks. This process separates the oil from the other impurities, which are skimmed off the top. At this point, the oil is ready to be trucked to the refinery.

These niche heating services may not be big enough revenue sources for some of the major service companies. But for a smaller company like Enservco, it's a great, high-margin component of our broader service offering.

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TWST: Is one part of the services growing any faster than the others, or are they all fairly similar?

Mr. Herman: Our frac heating business has been especially busy lately. Fracking, which occurs when a new well is brought on, is designed to open up the channels in the formation so oil/gas can flow more freely to the well bore. With the growth in drilling activity in cold-weather basins, the heating of frac fluids has been in very high demand. In Pennsylvania, for example, it's very cold three to four months a year, so they have to heat almost all of the water that goes in the fracturing process during that time. Another strong growth area is hot oiling, which is a part of the maintenance process of oil wells.

Approximately 55% or 60% of our business is in well maintenance. This is an important metric, because it indicates that even if oil prices tumble and companies stop drilling, there is still a lot of work for us on the simple maintenance of existing wells.

TWST: Where do you currently operate? Is it generally in colder areas?

Mr. Herman: We started out in eastern Colorado and in Kansas, which were the incumbent territories of the companies we acquired. We have since expanded throughout Colorado and into Oklahoma, New Mexico, Utah, Pennsylvania and Wyoming. One of the most important developments we've announced since founding the company is that we will soon be expanding our operations into the Bakken formation in North Dakota, and we already have equipment moving in that direction. We expect that we will be generating revenues in North Dakota for a third or more of this year. To answer the second part of your question, yes, much of our work is in the nation's colder basins, and this will increasingly be the case going forward.

TWST: What made you decide to open an operations center in the Bakken area?

Mr. Herman: Quite simply, our customers have said they need us there. The Bakken is a very large oilfield that has been made highly productive through the use of both directional drilling and hydraulic fracturing. As a result of these technologies, you now have hundreds and hundreds of wells being drilled up there, and this represents a significant year-round opportunity for our maintenance business. In addition, you have a situation where it's cold or cool up to 10 months of the year, and that represents a very sizable opportunity for our frac heating business. I truly believe that our move into the Bakken is something that will help transform the company and take it to the next level.

TWST: You only take care of the onshore service industry, is that right?

Mr. Herman: Yes, there is plenty of onshore business domestically. We feel that domestic development of natural resources is going to continue, with all the political wrangling that's going on regarding offshore and certainly international at the present time — all we can do to keep up with the demand domestically. And obviously your costs go down and your profits go up when you can focus on things in your backyard.

TWST: What are your competitive advantages?

Mr. Herman: We provide our services to major E&P companies in several basins domestically. Our strength is a well-trained and responsive employee base, which is coupled with a modern fleet that is well maintained. Safety, reliability and quality work, and overall competitive pricing are what set us apart and fuel our growth. We continue to compete with smaller operators by offering several services under one roof.

Another important point is that, although part of our original plan was to grow through acquisition of smaller players, our guys have done a tremendous job of growing the business organically. So instead of going out and making acquisitions at a multiple of EBITDA, we can literally just build equipment and take it to the field. So the bottom line is that, as long as our guys continue to take care of the customers, we are in a position to offer more and more services and extend our competitive advantages.

TWST: What is your growth strategy overall?

Mr. Herman: Our initial acquisitions gave us a footprint, as I mentioned earlier, in eastern Colorado and western Kansas into northern Oklahoma. Since that time, we have expanded to western Colorado and Utah through an acquisition we did in Roosevelt, Utah, and opened a facility in Greeley, Colo., which services northern Colorado and eastern Wyoming. The development of unconventional plays like the Marcellus shale in Pennsylvania and the horizontal drilling of the Bakken formation in North Dakota offer considerable opportunities for our existing services. We have operations in western Pennsylvania and recently announced expansion facilities in Cheyenne, Wyo., and Killdeer, N.D.

While Pennsylvania has provided very strong seasonal numbers for us, our advance into the Bakken should offer considerable growth in sales and cash flow due to the year-round work. In addition to

our current portfolio, we are constantly looking for other services to offer our customer base. Several types of services are being evaluated, which could also provide significant growth. So that's my statement, but the bottom line is that the Bakken formation is going to be very, very strong for us. In North Dakota, the weather can be so unpredictable that most of our higher-margin services are expected to be used literally year-round. That's tremendous for us.

TWST: If they opened up drilling in Alaska, would that be something you'd get involved with?

Mr. Herman: I have a fairly extensive background running businesses, and I've learned that if you get yourself spread too thin geographically, the business can become difficult to support logistically. We knew we needed to be in the Bakken a couple of years ago. The reason we didn't go there at the time and went to Pennsylvania instead was because we just didn't have enough equipment built to provide our full suite of services. Our number one concern is fulfilling the work that we already have in our geographic footprint. There are a number of expansion opportunities we could explore, but our first priority is to make sure we are well positioned in our existing territories before we go in anywhere else.

We have customers within our current geographies that are just getting started on large, long-range drilling programs. For instance, Chesapeake, a key customer, has hundreds of thousands — if not millions — of acres on which it plans to drill, right in our backyard. Since this is where we have our offices, personnel and infrastructure, this is where we will be focused for the foreseeable future.

TWST: What are your biggest challenges, and how are you positioning the company to deal with those?

Mr. Herman: It's short and sweet. Our biggest challenge is keeping up with the demand that we're experiencing. We need to deal with this growth while maintaining safety, reliability and quality in our work. At the end of the day, the business is there. But if you lose sight of why you're successful, you can have things unravel very quickly. The usual things that concern me center around managing the demand for our services — financing, people management and maintaining the quality service our customers demand of us.

TWST: Speaking of the opportunity and the growth, your first-quarter numbers showed a 50% increase in revenue and a 131% increase in EBITDA. What were the reasons for the strong numbers, and what were the other quarterly results?

Mr. Herman: Our first-quarter results were driven by two primary factors. First, there has been a significant increase in domestic onshore drilling activity, as indicated by a year-over-year jump in rig utilization rates. The second factor was the expansion of our Marcellus shale operations, which were just getting started during the first quarter of 2010. It can get very cold in that region during the winter months, as was the case during this year's first quarter. Clearly, our heating services were in high demand as a result.

Other notable first-quarter metrics included: net income is \$885,000, which is up 713% from the prior first quarter; EPS is four cents, versus one cent in Q1 last year; we also generated an operating cash flow of \$2.3 million; and our working capital improved 71% to \$1.97 million.

TWST: Please tell us about your background.

Mr. Herman: I started in the oil and gas business in 1984. I left it in 1990, primarily because there was no money in the business. Oil prices were fluctuating from \$8 or \$9 a barrel to \$18 a barrel, and you couldn't attract capital. It just wasn't a good business back then. In 1991, I started going to China, where I built a couple of companies. One was in the telecom hardware business, and the other became that country's largest dehydrator of vegetables. I sold both businesses to multibillion dollar companies. These experiences taught me a lot about what it took to succeed in business, including the importance of having a great team. I see the same elements are coming together at Enservco: a great business model and a strong team to back it up.

TWST: What should investors know about Enservco?

Mr. Herman: Enservco has a strong and growing footprint in several major onshore energy fields where we serve many of the biggest names in the oil and gas industry. So while we are still a small company, this multibasin presence and blue-chip customer base gives us a huge advantage over many of the mom-and-pop operations we compete with. I think these factors will also facilitate our growth strategy. As we layer on new offerings, we have a built-in base of customers, many of which have already told us what they need in the way of additional services.

Our employees and management are driven by quality and customer service, and they're focused on increasing shareholder value. We expect our expansion into the Bakken and the potential addition of new services will extend our profile from a seasonally weighted heating operation to a very active year-round business. With a market cap of less than \$20 million dollars, we feel there is considerable potential to create additional shareholder value. So with a strong base business and the prospects we've discussed, I think our company has a very bright future.

TWST: Thank you. (LMR)

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