



## **PETROBANK REPORTS Q1 2010 NET INCOME OF \$82.5 MILLION AND PROVIDES PROGRESS UPDATE FOR HEAVY OIL BUSINESS UNIT**

Calgary, Alberta – May 13, 2010 – Petrobank Energy and Resources Ltd. (“**Petrobank**” or the “**Company**”) (TSX:PBG) is pleased to announce first quarter 2010 financial and operating results highlighted by funds flow from operations of \$3.14 per diluted share and net income of \$0.76 per diluted share. We are also pleased to provide an operational update for our Heavy Oil Business Unit where progress continues on our Kerrobert, Conklin and May River projects.

Petrobank’s results include the financial and operating results of PetroBakken Energy Ltd. (“PetroBakken”) (TSX:PBN), 62% owned by Petrobank as at March 31, 2010 (currently 58%), and Petrominerales Ltd. (“Petrominerales”) (TSX:PMG), 66% owned by Petrobank. PetroBakken announced first quarter financial and operating results on May 11, 2010. Petrominerales announced first quarter financial and operating results on May 5, 2010.

All references to \$ are Canadian dollars unless otherwise noted. All comparisons are to the prior period, unless otherwise noted.

### **Q1 2010 HIGHLIGHTS AND SIGNIFICANT TRANSACTIONS**

- Petrobank’s consolidated production increased 85 percent to 81,297 barrels of oil equivalent per day (“boepd”) in the first quarter of 2010 compared to 43,856 boepd in the first quarter of 2009 due to production increases in PetroBakken and Petrominerales.
- Funds flow from operations increased 167 percent to \$334.0 million in the first quarter of 2010. On a per diluted share basis, funds flow from operations increased 124 percent to \$3.14.
- Net income increased to \$82.5 million in the first quarter of 2010 compared to a \$1.5 million loss in 2009. On a per diluted share basis, net income increased to \$0.76 from a loss of \$0.02.

### ***Petrobank’s Heavy Oil Business Unit (“HBU”)***

- Petrobank incurred \$23.9 million of capital expenditures in the first quarter related to our Kerrobert heavy oil project, the Conklin oil sands project, a Conklin 4D seismic program, and 3D seismic program and 12 stratigraphic wells over our May River leases.

### ***PetroBakken***

- First quarter production increased 95 percent to 43,098 boepd compared to 22,085 boepd in the first quarter of 2009, primarily driven by the acquisition of TriStar Oil and Gas Ltd. (“TriStar”) on October 1, 2009 and drilling activities in the Bakken.
- Operating netbacks (excluding hedging gains) averaged \$52.93 per boe in the first quarter of 2010, an increase of 53 percent compared to the first quarter of 2009, primarily due to higher benchmark oil prices.
- PetroBakken drilled 73 (59.5 net) wells in the quarter; including 50 (41.1 net) in the Bakken, and 19 (16.3 net) in conventional plays in southeast Saskatchewan.
- On January 25, 2010, PetroBakken issued US\$750 million of convertible debentures. The debentures are convertible into common shares of PetroBakken at a conversion price of US\$39.61 per share, have an annual coupon rate of 3.125% and mature in February 2016.
- PetroBakken completed three non-core dispositions and two Cardium focused acquisitions in the quarter – Berens Energy Ltd. and Rondo Petroleum Inc.

***Petrominerales***

- First quarter production increased 75 percent to 38,199 barrels of oil per day (“bopd”) compared to 21,771 bopd in the first quarter of 2009, primarily due to drilling successes at Guatiquia and Neiva.
- Operating netbacks averaged US\$51.05 per barrel, an increase of 111 percent compared to the first quarter of 2009, primarily due to higher benchmark oil prices.
- Petrominerales added two more producing wells at Candelilla. The three Candelilla wells contributed 20,972 bopd to first quarter production.
- Petrominerales drilled a new oil discovery on the Casimena Block in Colombia, Yenac-1.

**SUBSEQUENT EVENTS**

- On April 23, 2010, the remaining US\$149.3 million principal amount of Petrobank’s 5.125% convertible debentures were early converted. An aggregate of US\$27.4 million was paid and 3,920,446 common shares were issued. On May 10, 2010, the remaining US\$5.1 million principal amount of Petrobank’s 3% convertible debentures were early converted into 179,009 common shares. As a result of these two events, there are no longer any Petrobank convertible debentures outstanding.

***PetroBakken***

- On April 1, 2010, PetroBakken acquired all of the issued and outstanding shares of Result Energy Inc. (“Result”) for cash consideration of \$200 million and the issuance of 11.2 million PetroBakken common shares. Result had working capital of approximately \$60 million on closing of the arrangement.

***Petrominerales***

- On April 14, 2010, Petrominerales acquired all of the issued and outstanding shares of PanAndean Resources plc for US\$30.4 million. The assets acquired pursuant to the acquisition include 6.9 million gross (3.9 million net) acres from four exploration blocks in Peru and one exploration block in Colombia.

**PETROBANK’S LIQUIDITY AND CAPITAL RESOURCES**

Petrobank, PetroBakken and Petrominerales manage their capital structure independently; they generate their own cash flows, and have the ability to fund their operations through the issuance of secured and unsecured debt as well as equity financing. Petrobank’s capital resources are focused on funding corporate and HBU expenditures. At March 31, 2010, independent of PetroBakken and Petrominerales, Petrobank on a standalone basis had no bank debt outstanding and positive working capital of \$28.4 million. A \$30 million credit facility is also available and all previously outstanding Petrobank convertible debentures have now been converted into common shares.

Based on Petrobank’s current ownership and PetroBakken’s intentions of paying an annual dividend of \$0.96 per PetroBakken share, Petrobank expects to receive \$105 million of dividends annually from PetroBakken paid monthly. Petrobank can also raise funds by selling a portion of its ownership in PetroBakken and Petrominerales or by issuing additional debt secured by these interests.

Petrobank expects to fund our HBU capital expenditure program with cash, available credit, cash from operations and dividends received from PetroBakken.

## SUMMARY OF FINANCIAL AND OPERATING RESULTS

The following table provides a summary of Petrobank's financial and operating results for the three months ended March 31, 2010 and 2009. Consolidated financial statements with Management's Discussion and Analysis ("MD&A") will be available on the Company's website at [www.petrobank.com](http://www.petrobank.com) and on the SEDAR website at [www.sedar.com](http://www.sedar.com).

Three months ended March 31,	2010	2009	% Change
<b>Financial</b> (\$000s, except where noted)			
Oil and natural gas revenue	533,133	190,786	179
Funds flow from operations <sup>(1)</sup>	333,954	125,156	167
Per share – basic (\$)	3.33	1.50	122
– diluted (\$)	3.14	1.40	124
Net income (loss)	82,499	(1,542)	-
Per share – basic (\$)	0.82	(0.02)	-
– diluted (\$)	0.76	(0.02)	-
Capital expenditures			
PetroBakken	185,116	70,024	164
Petrominerales	116,209	81,560	42
HBU	23,934	21,410	12
Total Company	325,259	172,994	88
Total assets	6,494,359	2,414,146	169
Common shares, end of period (000s)			
Basic	101,839	83,598	22
Diluted <sup>(2)</sup>	109,544	99,214	10
<b>Operations</b>			
PetroBakken operating netback (\$/boe except where noted) <sup>(1) (3)</sup>			
Oil and NGL revenue (\$/bbl) <sup>(4)</sup>	76.08	48.57	57
Natural gas revenue (\$/mcf) <sup>(4)</sup>	5.20	5.35	(3)
Oil and natural gas revenue <sup>(4)</sup>	70.41	46.81	50
Royalties	9.68	5.32	82
Production expenses	7.80	6.81	15
Operating netback <sup>(5)</sup>	52.93	34.68	53
Petrominerales operating netback (\$/bbl) <sup>(1)</sup>			
Oil revenue <sup>(4)</sup>	67.17	42.18	59
Royalties	7.39	4.60	61
Production expenses	6.71	7.40	(9)
Operating netback <sup>(5)</sup>	53.07	30.18	76
Average daily production			
PetroBakken – oil and NGL (bbls)	37,654	19,722	91
PetroBakken – natural gas (mcf)	32,662	14,179	130
Total PetroBakken (boe) <sup>(3)</sup>	43,098	22,085	95
Petrominerales – oil (bbls) <sup>(6)</sup>	38,199	21,771	75
Total Company conventional (boe) <sup>(7)</sup>	81,297	43,856	85

(1) Non-GAAP measure. See "Non-GAAP Measures" section in this press release.

(2) Assumes 4.1 million common shares will be issued upon conversion of Petrobank's convertible debentures.

(3) Six mcf of natural gas is equivalent to one barrel of oil equivalent ("boe").

(4) Net of transportation expenses.

(5) Excludes hedging activities.

(6) Actual production sold for the first quarter of 2010 was 38,462 bopd (Q1 2009 – 21,409 bopd).

(7) HBU bitumen volumes are excluded from average daily production as Conklin and Kerrobert operations are considered to be in the pre-operating stage and accordingly are capitalized.

## HEAVY OIL BUSINESS UNIT OPERATIONAL UPDATE

During the first quarter, Petrobank's Heavy Oil Business Unit continued to actively engage in field-demonstrating our patented THAI™ heavy oil recovery process on multiple projects within our 75 net sections of oil sands leases in Alberta and 36 sections of oil sands licenses in Saskatchewan. THAI™ is an in-situ combustion technology for the recovery of bitumen and heavy oil that integrates existing proven technologies and provides the opportunity to create a step change in the development of heavy oil resources globally.

### HIGHLIGHTS

- Kerrobert pump reconfiguration completed and on stream.
- Second phase of compression installed at Kerrobert.
- Reconfiguration of Conklin wells initiated.
- Conklin 4D seismic program completed.
- 3D seismic program completed and 12 additional stratigraphic wells drilled at May River.
- Received the second round of supplemental information requests ("SIRs") from the Energy Resources and Conservation Board ("ERCB") on May 13, 2010.

### ***Kerrobert Project***

Operations to reconfigure the pumps on the Kerrobert wells were initiated late in the first quarter. The wells were shut in mid-March for the removal of the original hydraulic pumps and to install new permanent progressive cavity pumps (PCPs) which will be incorporated into future wells. Due to severe early spring weather and late equipment deliveries we were not able to complete the pump installation until the latter part of April and restarted the wells in early May. During the reconfiguration, air injection was maintained at reduced rates.

Since restart, oil production has been as high as 250 bopd. Produced oil has been a combination of THAI™ oil that is partially upgraded along with intermittent heavy emulsions. The variation in produced oil quality is expected to decline over time as we move through the startup phase and more of the production comes from the toe of the well increasing the proportion of THAI™ oil. With the heavier emulsion the pumping rate is reduced requiring the injection of a minor amount of solvent to break the emulsion to allow higher pumping rates. Thermocouple temperatures have stabilized with wellbore temperature of up to 175 degrees Celsius. Produced gas composition from both wells indicates that we have high temperature combustion.

In addition to the new PCP pump design at Kerrobert, a new wellhead configuration for improved handling of produced gases and instrumentation for bottomhole temperature and pressure monitoring has been installed. We also installed an additional 3 mmcf/day of air injection capacity bringing the total air injection capacity to 6 mmcf/day. This additional air injection capacity will be available for the current and future wells. Surface facilities at Kerrobert have been operating steadily with minimal upsets or solids production.

Our expansion plans for Kerrobert are progressing and we target a late third quarter start up. This project will include an additional ten wells and related surface processing equipment with a 7,200 bopd total gross production target.

### ***Conklin Project***

At Conklin, we are pursuing two well completion upgrade designs on the production wells. The first upgrade will involve the addition of a production gas lift string in each of the wells with bottomhole pressure monitoring. The second modification will be with installation of artificial lift pumps and gas handling capabilities similar to that of Kerrobert. This is a significant optimization step building on our Kerrobert experience and is expected to improve and stabilize production to achieve our 1,500 bopd target and will be the design used in future projects. The first phase of the well completion upgrades are planned to occur over the second quarter. The PCPs are expected to be installed in the third quarter.

During April, we began preparation for the completion upgrades resulting in a 50 percent downtime and production averaged 103 bopd. Peak well production rates have achieved up to 480 bopd. Through the first week of May production averaged 200 bopd, based on field estimates, with two wells on production. P3B production was shut in during the first week of May to enable the replacement of a packer in the injection well. This procedure is now complete and we plan to recommence production operations. We have also completed the fourth 4D seismic survey over the project area. This survey will provide an additional view of the combustion front's development over time.

### ***May River Project***

Engineering, procurement, and construction management on the project has been awarded for the wellsites, pipelines, and for the central processing facility. We will initiate ordering long lead items during the second quarter and with timely regulatory approval steam start-up could occur in mid-2012. An additional 12 OSE stratigraphic wells and 3D seismic over the project area has been completed, allowing us to further delineate the reservoir and to optimize well placements.

The regulatory application for May River's first phase was filed with the ERCB and Alberta Environment in December 2008. The first round of SIRs from Alberta Environment and the ERCB were responded to in mid-December 2009. We have received and responded to the second round of SIRs from Alberta Environment and they have given the project draft approval. We received the second round of SIRs from the ERCB on May 13, 2010 and we expect to submit our responses by the end of May.

The May River design incorporates power generation utilizing low energy produced gas, sulphur recovery, is CO<sub>2</sub> capture ready, and will be a net water producer rather than a water user, making our May River project a leading environmentally sustainable benchmark for oil sands and heavy oil development. The project utilizes a modular approach that is designed to be installed and operated on heavy oil projects world-wide.

### ***Dawson Project***

Dawson is a joint venture project located near Peace River, Alberta with a significant heavy oil resource in the Bluesky formation. The regulatory application for this initial two well project was filed on April 2, 2009 contemplating a project of similar scope and scale to our Kerrobert project. We received Alberta Environment's conditional approval on June 26, 2009. The ERCB's SIRs were received at the end of November, 2009 and they are in the process of reviewing our responses.

### ***Archon Technologies***

Our wholly-owned subsidiary, Archon Technologies Ltd., has tested several innovative and step-change technologies, direct oxidation for H<sub>2</sub>S recover and enriched oxygen injection on a lab scale which are planned to be field tested in 2010. These could significantly improve THAI™ performance by improving overall recovery and quality of produced heavy oil. Small scale field pilots for these technologies are planned to be implemented at Conklin. We recently filed another new enhancement patent involving an innovative well design bringing our portfolio of patents and patents pending to eight.

We continue to receive world-wide interest in our technology because of its superior economic and environmental benefits. Our joint venture strategy is to demonstrate and commercialize THAI™ and CAPRI™ in a wide range of large global resource opportunities.

THAI™ has many potential benefits over SAGD including expected higher resource recovery (70%-80% versus 30%-50% for SAGD), lower production and capital costs, minimal usage of natural gas and fresh water, a partially upgraded crude oil product, reduced diluent requirements for transportation, and lower greenhouse gas emissions. The THAI™ process also has the potential to operate in lower pressure, lower quality, thinner and deeper reservoirs than current steam-based recovery processes. The continued field demonstration of THAI™ will have an enormous impact on resource recovery and estimates of reserve volumes.

Petrobank has created an educational video to provide interested viewers the opportunity to see THAI™ in action, where we've been, and where we're going. We encourage you to view this newly produced video at: [www.petrobank.com/heavy-oil/thai-video](http://www.petrobank.com/heavy-oil/thai-video).

## **INVESTOR CONFERENCE CALL**

Management of Petrobank will be holding a conference call for investors, financial analysts, media and any interested persons on Friday, May 14, 2010 at 9:00 a.m. Mountain Time (11:00 a.m. Eastern Time) to discuss Petrobank's first quarter financial and operating results. The investor conference call details are as follows:

Live call dial-in numbers: 416-340-2216 / 866-226-1792

Replay dial-in numbers: 416-695-5800 / 800-408-3053

Replay pass code: 1637151

The live audio webcast link is: <http://events.digitalmedia.telus.com/petrobank/051410/index.php> and is also available on our website at: <http://www.petrobank.com/investors/>.

## **CORPORATE PRESENTATIONS**

The Petrobank, PetroBakken and Petrominerales corporate presentations have been updated and can be found at [www.petrobank.com](http://www.petrobank.com), [www.petrobakken.com](http://www.petrobakken.com), and [www.petrominerales.com](http://www.petrominerales.com).

## **ANNUAL AND SPECIAL MEETING**

Petrobank's annual and special meeting (the "Meeting") will be held Wednesday, May 26, 2010 at 2:00 p.m. (Calgary time) in the Main Ballroom of The Metropolitan Centre, 333 Fourth Avenue SW, Calgary, Alberta. The Meeting will be webcast live and available for replay at [www.petrobank.com](http://www.petrobank.com) under the "Investors" section. After the formal business of the Meeting and corporate presentation, management of the Company will provide a question and answer period. For those participating by webcast, you are invited to submit questions to Petrobank any time during this question and answer session by typing your question into a box displayed on the webcast page and clicking on the button "submit". Petrobank's management will endeavor to answer as many questions as possible during the time frame allotted. Before and after the meeting in the main lobby, management and staff of Petrobank, PetroBakken and Petrominerales will be presenting informational displays regarding Company activities and cordially invite all guests to attend.

## **KERROBERT FIELD TOUR**

Petrobank shareholders are invited to participate in a field tour of Petrobank's Kerrobert site on Thursday, May 27, 2010. The Kerrobert project site is located approximately 16 kilometres southwest of Kerrobert, Saskatchewan. The Kerrobert tour will depart from Calgary via charter aircraft at 8:00 a.m. on Thursday, May 27, 2010, and will return to Calgary at approximately 5:30 p.m. The tour is limited to a maximum of 20 participants. Participants will be chosen in order of our receipt of their registration by telephone and each participant will be responsible for their proportionate cost of round-trip air transportation to and from the Kerrobert site, estimated at \$500. Should you wish to register for the Kerrobert tour, please contact Kimberley Osberg at 403.750.4441, beginning Monday, May 17, 2010 at 9:00 a.m. (Mountain time).

## **ARCHON LAB TOURS**

Petrobank shareholders are invited to participate in a tour of Petrobank's Archon lab on Thursday, May 27, 2010. The Archon lab is located in Calgary, Alberta. The Archon lab tour is at no cost to participants with round-trip transportation for those who wish or require it. There are two tour departure times, with the first tour beginning at 10:00 a.m. (Calgary time) and the second tour commencing at 1:00 p.m. (Calgary time). Each tour is limited to a maximum of 10 participants. Participants will be chosen in order of our receipt of their registration by telephone. Should you wish to register for the Archon lab tour, please contact David McLellan at 403.750.4479, beginning Monday, May 17, 2010 at 9:00 a.m. (Mountain time).

## DIRECTOR EQUITY OWNERSHIP GUIDELINES AND BOARD NOMINATING COMMITTEE

Although the Board of Directors have always been encouraged to invest in Petrobank and have historically maintained high levels of equity ownership, the Board of Directors has formalized Petrobank equity ownership guidelines for all of the Board members. The guideline requires that each board member achieve and maintain equity ownership in Petrobank equal to three years base Board retainer within two years of each director's appointment to the Board. All current directors of Petrobank have already achieved ownership of the Petrobank equity guideline amount. Petrobank believes that its directors can better represent shareholders if they are shareholders themselves and that equity ownership promotes an even greater alignment of interests between directors and shareholders.

In addition, the Board of Directors has established a Nominating Committee, comprised solely of independent directors. The duties and responsibilities of the Nominating Committee consist primarily of: (i) considering the appropriate size, composition, profile and director fees of the Board of Directors and its committees; (ii) submitting recommendations to the Board of Directors for board nominees; (iii) assessing the participation, contribution and effectiveness of all directors individually; and (iv) considering director training programs and orientation and education programs for new and existing members of the Board of Directors.

**Petrobank Energy and Resources Ltd.** is a Calgary-based oil and natural gas exploration and production company with operations in western Canada and Latin America. The Company operates high-impact projects through three business units and a technology subsidiary. The Canadian Business Unit, operated by Petrobank's 58% owned TSX-listed subsidiary, PetroBakken Energy Ltd. (TSX:PBN), is a premier light oil production company combining, high growth, long-life Bakken reserves and production with legacy conventional light oil assets, delivering industry leading operating netbacks, strong cash flows and production growth. PetroBakken is applying leading edge technology to a multi-year inventory of Bakken and Cardium light oil development locations, along with a significant inventory of opportunities in the Horn River and Montney gas resource plays in northeast BC. PetroBakken's strategy is to deliver accretive production and reserves growth, along with an attractive dividend yield. The Latin American Business Unit, operated by Petrobank's 66% owned TSX listed subsidiary, Petrominerales Ltd. (TSX:PMG), is a Latin America-based exploration and production company producing oil in Colombia with 15 exploration blocks covering a total of 1.9 million acres in the Llanos and Putumayo Basins and five exploration blocks in Peru covering a total of 9.4 million gross (5.2 million net) acres in the Ucayali and Titicaca Basins. Whitesands Insitu Partnership, a partnership between Petrobank and its wholly-owned subsidiary Whitesands Insitu Inc., owns 75 net sections of oil sands leases in Alberta, 36 sections of oil sands licenses in Saskatchewan and operates the Whitesands project which is field-demonstrating Petrobank's patented THAI™ heavy oil recovery process. THAI™ is an evolutionary in-situ combustion technology for the recovery of bitumen and heavy oil that integrates existing proven technologies and provides the opportunity to create a step change in the development of heavy oil resources globally. THAI™ and CAPRI™ are registered trademarks of Archon Technologies Ltd., a wholly-owned subsidiary of Petrobank.

**Non-GAAP Measures:** This press release contains financial terms that are not considered measures under Canadian generally accepted accounting principles ("GAAP"), such as funds flow from operations and operating netback. These measures are commonly utilized in the oil and gas industry and are considered informative for management and shareholders. Management considers operating netback important as it is a measure of profitability per barrel of production. Operating netbacks may not be comparable to those reported by other companies nor should they be viewed as an alternative to net income or other measures of financial performance calculated in accordance with GAAP.

The following table shows the reconciliation of funds flow from operations to cash flow from operating activities for the periods noted:

	Three months ended March 31,	
	2010	2009
Funds flow from operations: Non-GAAP	333,954	125,156
Changes in non-cash working capital	(116,286)	(13,892)
Cash flow from operating activities: GAAP	217,668	111,264

**Forward-Looking Statements:** Certain information provided in this press release constitutes forward-looking statements. The words "anticipate", "expect", "project", "estimate", "forecast" and similar expressions are intended to identify such forward-looking statements. Specifically, this press release contains forward-looking statements relating to financial results, results from operations and the timing of certain projects. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. You can find a discussion of those risks and uncertainties in our Canadian securities filings. Such factors include, but are not limited to: general economic, market and business conditions; fluctuations in oil prices; the results of exploration and development drilling, recompletions and related activities; timing and rig availability, outcome of exploration contract negotiations; fluctuation in foreign currency exchange rates; the uncertainty of reserve estimates; changes in environmental and other regulations; risks associated with oil and gas operations; and other factors, many of which are beyond the control of the Company. There is no representation by Petrobank that actual results achieved during the forecast period will be the same in whole or in part as those forecast. Except as may be required by applicable securities laws, Petrobank assumes no obligation to publicly update or revise any forward-looking statements made herein or otherwise, whether as a result of new information, future events or otherwise.

**Barrels of Oil Equivalent:** Disclosure provided in this press release in respect of barrels of oil equivalent (“boe”) units may be misleading, particularly if used in isolation. A boe conversion relationship of 6 mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head.

**FOR FURTHER INFORMATION PLEASE CONTACT:**

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