



## JOINT NEWS RELEASE

### **Petrobank and TriStar to Create a Premier Southeast Saskatchewan Bakken and Light Oil Producer**

CALGARY, Alberta - August 4, 2009 - Petrobank Energy and Resources Ltd. ("Petrobank") (TSX:PBG) and TriStar Oil & Gas Ltd. ("TriStar") (TSX:TOG) are pleased to announce that their respective Boards of Directors have unanimously agreed to the strategic combination of TriStar and Petrobank's Canadian Business Unit (the "Transaction"). The combination will create a new publicly listed company, PetroBakken Energy Ltd. ("PetroBakken" or the "Company"), that will be a premier, Bakken-focused, light oil exploration and production company. PetroBakken is expected to trade on the TSX under the symbol "TSX:PBN" immediately following the successful completion of the Transaction.

Petrobank will capitalize PetroBakken with its Canadian Business Unit assets and \$400 million of cash. PetroBakken will then acquire all the outstanding shares of TriStar. In return, Petrobank will receive 109.8 million common shares of PetroBakken which will represent approximately 64% of PetroBakken's anticipated shares outstanding. Consideration to TriStar shareholders will consist of a combination of PetroBakken common shares and cash. At the election of the holder, a TriStar shareholder will receive \$14.75 cash, or 0.5350 of a PetroBakken share, or a combination thereof, being approximately \$3.75 per share in cash and 0.3989 of a PetroBakken share, for each share held. Based on \$14.75, the consideration received by TriStar shareholders represents a 29% premium to TriStar's 10-day weighted average trading price. In aggregate, TriStar shareholders will receive approximately \$580 million in cash and 61,762,500 shares of PetroBakken, representing 36% of PetroBakken's anticipated shares outstanding. In the event that the holders of TriStar shares elect to receive more or less than the set amount of cash, or more or less than the set amount of PetroBakken shares of which they are entitled, the amount of cash or shares to be received by a holder will be adjusted pro rata and the balance of the consideration will be paid in cash or PetroBakken shares, as the case may be.

#### **Alberta Asset Dispositions**

Following completion of the Transaction, PetroBakken plans to divest a package of Alberta-based assets consisting of approximately 9,500 boepd (44% light oil, 56% natural gas), and 40.1 mmboe of proved plus probable reserves to further enhance the focus of PetroBakken on southeast Saskatchewan light oil resource plays. Proceeds from the disposition will be used to further solidify the strong PetroBakken balance sheet. Following the divestitures, PetroBakken will primarily be a pure-play, southeast Saskatchewan, light oil-focused company with 2009 exit production of more than 37,000 boepd, more than 95% light oil, more than 70% of which will be from the Bakken.

**Dividend Policy**

Based upon the underlying strength of PetroBakken's high-netback light oil asset base and flexible balance sheet, PetroBakken intends to adopt a dividend policy initially targeting payments of \$0.96 per share per annum, payable monthly, with the first dividend expected to be paid in November to shareholders of record on October 30, 2009. This dividend policy will allow PetroBakken shareholders to benefit in the Company's industry leading high netback production on a monthly basis.

**The Transaction**

John Wright, President and CEO of Petrobank, commented, "This is a unique opportunity to bring together two like-minded organizations to create a premier southeast Saskatchewan light-oil producer offering exceptional growth potential, focused on applying leading-edge technology to major resource plays, with our primary attention directed initially at the Bakken formation. At Petrobank, our Canadian Business Unit has consistently delivered exceptional per-share production and reserves growth and we have positioned PetroBakken to continue this legacy of growth, while also providing an attractive dividend yield."

Brett Herman, President and CEO of TriStar stated, "TriStar has achieved significant growth over the past three years, assembling a high quality, long life asset base with tremendous upside. We believe the consolidation of the southeast Saskatchewan and Bakken assets of Petrobank and TriStar, and the combination of each company's strong technical staff is the next step in the evolution of our company. With recent technological innovations, together, we have just begun to unlock the true potential of the Bakken and I am excited to be a part of the PetroBakken story going forward."

The Transaction will be completed by way of plan of arrangement (the "Arrangement") and is subject to TriStar shareholder approval. The information circular for the Arrangement is expected to be mailed to TriStar shareholders on or about August 31, 2009 and it is anticipated that the special meeting of TriStar's shareholders will be held on or about September 30, 2009 with closing of the Transaction to occur on or about October 1, 2009. The successful completion of the Transaction is also subject to customary regulatory, stock exchange, court and other approvals.

The Board of Directors of TriStar has concluded that the Transaction is in the best interests of the TriStar shareholders from a financial point of view and has unanimously resolved to recommend that TriStar shareholders vote their shares in favour of the Arrangement. All of the directors and officers of TriStar have entered into lock-up agreements with Petrobank and PetroBakken to vote their TriStar shares in support of the Arrangement.

The Arrangement prohibits TriStar from soliciting or initiating any discussion regarding any other business combination or sale of material assets, contains provisions enabling Petrobank to match competing, unsolicited proposals and, subject to certain conditions, provides for a reciprocal termination fee of up to \$80 million.

### **Key Attributes of PetroBakken**

PetroBakken will combine significant, high growth, long-life Bakken reserves and production with legacy conventional light oil assets, which provide high netbacks and a low production decline profile. PetroBakken will be the premier Bakken player in Canada with a greater proportion of its production coming from the Bakken than any other material producer, and will represent a compelling new investment opportunity for investors. In addition, the Company will have significant future development opportunities in the Horn River and Montney gas resource plays in northeast BC that will add long term growth to PetroBakken's attractive light oil position. Pro forma the expected divestiture of the majority of the Alberta assets, PetroBakken will have the following key attributes:

- 2009 total Company exit production greater than 37,000 boepd (after the planned Alberta asset dispositions), more than 95% light oil.
- More than 27,000 boepd from the Bakken (greater than 70% of total Company exit 2009 production).
- More than 127 mboe of high quality, primarily light oil, proved plus probable reserves (as at December 31, 2008, except for TriStar's acquisition of Talisman properties with reserves reported based on a March 31, 2009 effective date) with significant future reserve growth potential through revisions, additions, improved recoveries and the application of technology.
- Proved plus probable reserve life index of more than 9 years.
- Significant land inventory of over 1.0 million net acres with over 800,000 net acres in southeast Saskatchewan, making PetroBakken the single largest landholder in this region. Of this, over 280,000 net acres (440 net sections) are located in the Bakken play fairway with significant further exposure to Bakken exploration activity, including 80,000 net acres in Montana.
- Further reserve enhancement capabilities on 110 net sections of existing producing Bakken acreage.
- More than 1,300 future Bakken drilling locations.
- Significant upside gas potential in the Horn River and Montney plays in northeast BC, with potential resource capability of 5 to 20 TCF of original gas-in-place ("OGIP") contained in more than 63,000 net undeveloped acres, with over 400 potential drilling locations, providing an additional long-term growth platform.
- Industry leading operating netbacks in excess of \$57.00/boe based on US\$75.00 WTI.
- Expected operating costs of approximately \$8.00/boe.
- Approximately \$1.9 billion of tax pools.
- Run rate cash flow of more than \$700 million based on US\$75 WTI oil price and 2009 exit production.
- 2010 capital budget of approximately \$550 million based on a US\$75 WTI oil price.
- Initial dividend of \$0.96 per share per annum, payable monthly, representing a payout ratio of 23% based on run rate cash flow.
- Excellent financial flexibility with a pro forma debt to cash flow ratio of less than one times.
- 172 million PetroBakken shares outstanding.
- Industry leading technical team.

### **Strategic Rationale**

The combination of the Petrobank and TriStar assets are highly complementary as it creates a pure play investment opportunity for exposure to high-netback light oil and the Bakken resource play. In the Bakken resource play alone, the combined asset base creates a dominant, operationally complementary land position providing significant visible development growth through the drilling of 1,300+ identified locations.

The combined entity is expected to have an improved cost of capital as a result of the focused nature of the high netback conventional and Bakken light oil assets in southeast Saskatchewan.

Additionally, the strategic merger results in the combination of premier technical teams focused on unlocking the value embedded in the large resource in place asset base. Independently, each of TriStar and Petrobank have been industry leaders in applying new, leading-edge technologies to unlock the true potential of the Bakken resource play. Bringing these two teams together in PetroBakken will create the preeminent Bakken resource team utilizing best practices to continually enhance and ultimately maximize recovery factors.

It is expected that PetroBakken's increased scale, particularly in the Bakken, will provide superior operating efficiencies, particularly with respect to complementary gathering systems, oil processing facilities, marketing arrangements and gas plant synergies.

### **Corporate Strategy**

PetroBakken will target significant production and reserves growth through an internally funded capital program underpinned by strong cash flows which will provide an attractive dividend yield to our shareholders. Based on the anticipated dividend policy PetroBakken shares are expected to yield approximately 3% based on a \$0.96 annualized dividend and anticipated trading levels for PetroBakken.

### **A Portfolio of Assets to Support Long-Term Growth**

#### **Bakken Resource Play**

The Petrobank and TriStar teams have been industry leaders in the application of new technology to maximize value from the Bakken. These efforts have resulted in cost effective drilling and completion methods, superior production rates and high expected ultimate oil recoveries. In 2007, the TriStar and Petrobank relationship began with a 50/50 ownership in 22,000 gross acres that has resulted in joint operations in numerous wells and two facilities. The combined land interests of both parties represents 70,000 net acres of developed land and over 210,000 net acres of undeveloped land for a total of 280,000 net acres or 440 net sections on the Bakken resource play. The synergies of combined facilities and infrastructure will minimize total future investment capital required to fully develop lands as well as improve gas conservation and continue to reduce operating costs.

The drilling and completion plan for the undeveloped lands will predominantly be executed using multi-leg horizontal drilling technology that reduces inter-well distance between horizontal legs from 400 metres to 200 metres, and completion techniques that utilize new fracture stimulation technologies providing much higher fracture intensity along each horizontal leg. Existing developed lands can also benefit from the same technological advances by re-entering existing wells and adding a second horizontal leg adjacent to the existing horizontal well which is then fracture stimulated with increased fracture intensity. Combining bi-lateral horizontal wells with increased frac intensity allows access to considerably more reservoir in an extremely cost-effective manner. The result is a significant increase in rates of return with much higher productivity and expected ultimate oil recoveries.

A typical Bakken section is generally recognized by third party reserve evaluators as containing approximately 4.0 mmbbls of original-oil-in-place with proved plus probable reserve recovery estimated at 12.5%. PetroBakken's internal assessments, based on ongoing strong production performance combined with increased well density and frac intensity is ultimately expected to increase reserve recovery to up to 22.5%. PetroBakken will control 440 net sections of land, with an estimated ultimate recovery factor of 22.5%, the potential recoverable resource could approach 400 mmbbls.

## **Southeast Saskatchewan Conventional**

PetroBakken will also be strongly positioned in the complementary conventional oil plays in the Midale, Frobisher, Alida and Tilston formations of Southeast Saskatchewan. Production of approximately 10,000 boepd from these Mississippian aged reservoirs provides a stable platform of low decline production and strong cash flows while offering future growth through infill drilling. Our current inventory is represented by 144 net proved undeveloped locations and a further 235 net unbooked development locations identified internally. These relatively low-risk, high netback, light oil wells offer attractive investment opportunities at approximately \$1.0 million to drill, complete and tie-in. A typical conventional southeast Saskatchewan well has initial production rates in the range of 75 to 200 bopd and reserves in the range of 50 to 150 mbbbls per well. In addition to these low risk development opportunities, the Company will have 510,000 net undeveloped acres of land providing the opportunity for seismically driven step-out and exploration drilling.

## **Montney and Horn River Gas Resource Plays**

Additional long term growth will come from PetroBakken's large land position in the Montney and Horn River natural gas resource plays located in northeast British Columbia. The company has 17 sections of land (100% working interest) in the Monias area with Montney potential of upwards of 30 to 50 Bcf of Original Gas in Place (OGIP) per section, providing a total resource potential of 510 to 850 Bcf of OGIP with recoveries expected to range between 25% and 35%. In addition, the Company will have a further 97 (84 net) sections north of Fort Nelson in the Horn River basin. Various industry sources estimate that the prospective zones within the Horn River basin may contain between 30 and 300 Bcf of OGIP per section, providing a total resource potential of 2.5 to 25 Tcf of OGIP with recoveries expected to range between 20% and 30%. PetroBakken's technical team has successfully drilled over 400 horizontal wells with multi-stage fracture stimulations, more than any other operator in the Western Canadian Sedimentary basin. This experience positions PetroBakken to be a leader in the development of these massive unconventional resource plays.

## **PetroBakken Management and Board of Directors**

Certain of the Senior Executives of Petrobank will also serve in the following roles for PetroBakken:

John D. Wright, Chairman of the Board & Chief Executive Officer  
 R. Gregg Smith, President and Chief Operating Officer  
 Corey C. Ruttan, Executive Vice President and Chief Financial Officer

The Board of Directors will consist of nine members, six appointed by Petrobank, including John D. Wright, and three appointed by TriStar, including Brett Herman, current President and CEO of TriStar.

## **Financial Capacity**

Prior to closing, PetroBakken expects to finalize a \$1.05 billion borrowing base credit facility currently being arranged by TD Securities Inc. ("TD Securities"), and it is expected that approximately \$950 million will be drawn on closing, prior to the anticipated Alberta asset divestiture. TD Securities and BMO Capital Markets have pre-committed to fund up to \$400 million of the facility. Debt to run-rate cash flow, following the Alberta asset dispositions, is expected to be less than one times providing for excellent financial flexibility. PetroBakken plans to maintain an active hedging strategy to provide certainty to a portion of our revenue stream.

**Advisors**

TD Securities acted as sole financial advisor to Petrobank for the Transaction.

Macquarie Capital Markets Canada Ltd. ("Macquarie") and BMO Capital Markets acted as financial advisors to TriStar. Macquarie and BMO Capital Markets have advised the TriStar Board of Directors that they are of the opinion that the consideration to be paid to TriStar pursuant to the Transaction is fair from a financial point of view, subject to review of final form documentation. A copy of the fairness opinions will be included in the TriStar information circular to be sent to shareholders for the special meeting to be called to approve the plan of arrangement.

Haywood Securities Inc. and UBS Securities Canada Inc. are acting as strategic advisors to Petrobank.

CIBC World Markets Inc., GMP Securities L.P., and National Bank Financial are acting as strategic advisors to TriStar.

All advisors have agreed to receive a portion of their fees in the form of PetroBakken shares.

FirstEnergy Capital Corp. and TD Securities have agreed to manage the sales process for PetroBakken's Alberta assets.

**Joint Conference Call and Audio Webcast**

A joint conference call and webcast hosted by management of Petrobank and TriStar will be held for investors, financial analysts, media and other interested persons on Wednesday, August 5, 2009 at 9:00 a.m. (MST) (11:00 a.m. EST) to discuss the Transaction.

Live-Call Audience Dial-In Number: 416-340-2216 or 866-226-1792  
Participant Number: 1786213

Replay Audience Dial-in Number & Codes: 416-695-5800 or 800-408-3053

A live audio webcast of the investor call is available via:  
<http://events.onlinebroadcasting.com/petrobank/080509/index.php>

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**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 the Transaction, benefits of the Transaction, timing of the Transaction and go-forward operational plans of PetroBakken. 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 Petrobank's and TriStar's Canadian securities filings. Such factors include, but are not limited to: TriStar shareholder approval of the Transaction not being received, customary approvals to the Transaction not being received, general economic, market and business conditions; fluctuations in oil prices; the results of exploration and development drilling; timing and rig availability; 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 both Petrobank and TriStar. There is no representation by Petrobank or TriStar 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, neither Petrobank nor TriStar assumes any 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.

The original gas-in-place and original oil-in-place figures included in this press release are Petrobank management estimates only, actual figures and recovery factors may be less.

**BOE.** Disclosure provided herein in respect of boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent an economic value at the wellhead.