

Attention Business Editors:

Twin Butte Energy and Buffalo Resources announce strategic business combination

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CALGARY, Aug. 18 /CNW/ - Twin Butte Energy Ltd. (TSX: TBE) ("Twin Butte" or the "Company") and Buffalo Resources Corp. ("Buffalo") (TSXV: BFR) are pleased to announce that they have entered into an arrangement agreement providing for the combination of Twin Butte and Buffalo (the "Transaction") through the acquisition by Twin Butte of all of the outstanding common shares of Buffalo (the "Buffalo Shares") on the basis of 0.7 of a common share of Twin Butte ("Twin Butte Share") for each outstanding Buffalo Share, resulting in the issuance of approximately 54.6 million Twin Butte Shares.

As part of the Transaction, Buffalo has executed a letter of intent with an industry partner such that Buffalo will consolidate Buffalo's working interests in various Buffalo wells. Totalling approximately 300 boe/d of production. Buffalo will buy out this industry partner for cash consideration of \$7.7 million. All figures quoted in this joint news release include this acquisition.

Based on the volume weighted average trading price of the Twin Butte Shares for the 5 trading days ending August 18, 2009, the exchange ratio for the Transaction represents a deemed price of \$0.65 per Buffalo Share, representing an 13% premium to the closing price of \$0.57 for the Buffalo Shares on August 18, 2009. The total transaction value will be approximately \$119 million, including the assumption of Buffalo's current net debt of approximately \$56.8 million, the cost for the asset acquisition noted above, and the deal costs of approximately \$5.5 million, for approximately \$70 million in total net debt.

The Transaction is to be effected by way of an arrangement under the Business Corporations Act (Alberta). Completion of the Transaction, which is anticipated to occur in mid October, is subject to, among other things, the approval of at least 66 2/3% of the Buffalo shareholders voting on the Transaction, the approval of the Court of Queen's Bench of Alberta, the receipt of all necessary regulatory and stock exchange approvals, and certain closing conditions that are customary for a transaction of this nature.

The New Twin Butte:

Upon completion of the Transaction, Twin Butte will have repositioned itself as an emerging intermediate producer with aggressive growth plans. The Company will have an extensive drill-ready, commodity balanced, prospect inventory to fuel organic growth, run by a seasoned management team with aggressive consolidation plans. Management believes the combined production base will provide critical mass cash flow required to aggressively exploit the Company's heavy oil opportunities at Frog Lake as well as its substantial deep basin gas inventory. Conservative balance sheet management will be a critical component of the new Twin Butte business plan. Accordingly, the Company may consider the disposition of non-core assets to focus operations, maintain control over costs, and strengthen the balance sheet.

With the current environment favouring growth through consolidation, Twin Butte intends to aggressively pursue additional value enhancing transactions, while preserving the value of its organic projects until commodity prices dictate an aggressive drilling program.

Attributes of the Pro Forma Company are:

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- Current production capability of approximately 6,500 boe/d (63% natural gas, 19% light oil and NGL's, and 18% heavy oil);

- A strong balance sheet with approximately \$113 million in net debt estimated at closing, relative to an anticipated credit facility of \$142 million. The Company may consider non-core asset sales to focus operations, maintain cost control and further strengthen the balance sheet;
  - An enterprise value in excess of \$210 million (based on the current trading price of the Twin Butte Shares);
  - Proved Reserves of 21.1 mmbob and Proved plus Probable Reserves of 28.7 mmbob based on the independent reserve report disclosed in Twin Butte's annual information form for the year ended December 31, 2008 and in the case of Buffalo reserves, based on Twin Butte's internal evaluation;
  - A Proved plus Probable RLI of 12 years leading to a predictable low decline production base;
  - Undeveloped lands in excess of 285,000 net acres;
  - Total outstanding shares of approximately 109.9 million;
  - A balanced and diversified portfolio of drilling prospects with over 300 drillable locations;
  - Repeatable play types in the Deep Basin and Eastern Plains with significant upside;
  - Annual G&A savings of in excess of \$3 million; and
  - Tax pools of approximately \$300 million
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Twin Butte's President and CEO, Jim Saunders stated, "The acquisition of Buffalo is consistent with our strategy of acquiring quality assets, with large reserves in place, within focus areas where we have expertise. We are excited about what Buffalo brings to the table when combined with Twin Butte's existing assets and opportunities. As a bigger, stronger company we will use our financial flexibility to capitalize on the drilling upside within the combined company. We continue to see attractive acquisition opportunities and will augment our organic growth with additional accretive acquisitions. We are on our way to becoming the next high growth intermediate producer."

Bill Trickett, Buffalo's founder, President and CEO stated, "I am proud of Buffalo's growth over the past 5 years, and the accomplishments of the Buffalo team, but believe the combined company is better able to compete in the current environment. This transaction is the result of an exhaustive process during which our board and our financial advisor explored a number of different alternatives to maximize shareholder value. The combination of Buffalo's and Twin Butte's high quality asset base and aggressive approach results in a company capable of significant growth."

#### Strategic Benefits and Transaction Summary

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- The merger with Buffalo is accretive to Twin Butte's cash flow per share, production per share, reserves per share and net asset value per share;
- Undeveloped lands comprising 135,000 acres, valued internally at \$20.5 million, with an identified drilling inventory of in excess of 100 locations;
- Twin Butte internally estimates Buffalo's Proved reserves at

12.6 mmmboe and Proved plus Probable reserves at 16.0 mmmboe;

- Buffalo's annual production declines are less than 20% with a reserve life index of 12 years;
- Current production capability of 3,600 boe/d (40% oil and liquids) comprised of 3,250 boe/d of current production and currently shut-in production capability of 350 boe/d, being Buffalo's natural gas production at Pincher Creek which is anticipated to resume full production in the fourth quarter; and
- Transaction metrics (excluding the value of undeveloped land and including the restricted production) are \$27,382 per boe/d; \$7.80 per Proved boe and \$6.15 per Proved plus Probable boe. Including future development capital of \$14.3 million and \$26.6 million respectively, associated with the reserves, the metrics are \$8.93 per Proved boe, and \$7.81 per Proved plus Probable boe.

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The Transaction materially increases the size and scope of opportunities for Twin Butte. It adds two new core areas, expands Twin Butte's presence in the Deep Basin and Peace River Arch, and increases the Company's oil weighting from 28% to 37%. At Frog Lake, Buffalo has a conventional heavy oil operation currently producing 1,150 boe/d, with an established drill ready inventory of 80 wells. At Pincher Creek in the southern Alberta foothills, Buffalo has an extremely long reserve life index ("RLI") (20+ years) gas property where recent horizontal drilling has enhanced deliverability. This property was shut-in approximately one year ago while the third party processor underwent a major turnaround on its facility. The property was recently restarted for test purposes and produced over a short period, at rates in excess of 1,000 boe/d, before being restricted to 300 boe/d as a result of current gas economics. It is anticipated that the property will resume full production late in 2009 at stabilized rates of 650 boe/d.

Twin Butte and Buffalo believe that this strategic acquisition offers an exceptional opportunity to create substantial value for their respective companies and shareholders.

#### Management and Directors of the Pro Forma Company

The combined Company will be led by Twin Butte's existing management team, which will focus on growth through exploiting the Company's significant opportunity inventory as well as continuing to focus on strategic acquisitions. In the combined company, this management team will continue to apply their methodology of executing value-added acquisitions along with successful exploitation, exploration and development programs, while maintaining prudent financial management and cost controls.

The Board of Directors of Twin Butte will be comprised of all the current directors of Twin Butte augmented by William Trickett and Murray Sinclair of the Buffalo Board, with such additional directors to be appointed at closing.

#### Transaction Terms and Conditions

At closing, Twin Butte shareholders will own approximately 51% and Buffalo shareholders will own approximately 49% of the combined Company.

The Board of Directors of Twin Butte and Buffalo have both approved the Transaction, and the Board of Directors of Buffalo has determined that the Transaction is in the best interests of its shareholders and has resolved to recommend that Buffalo shareholders vote in favour of the Transaction at the upcoming meeting. Directors of Buffalo, who collectively hold approximately 4% of the outstanding Buffalo Shares, have entered into support agreements pursuant to which each has agreed to vote in favour of the Arrangement.

In addition, certain Buffalo shareholders, who collectively hold approximately 12.2% of the outstanding Buffalo shares, have entered into support agreements pursuant to which each has agreed to vote in favour of the

Transaction.

Buffalo has agreed that it will not solicit or initiate any discussions regarding any other business combination or sale of material assets. Buffalo has also granted Twin Butte the right to match competing, unsolicited proposals and the agreement provides for a \$4.0 million termination fee payable by either party in certain circumstances.

Complete details of the terms of the Transaction are set out in the Arrangement Agreement, which will be filed by each of Twin Butte and Buffalo on SEDAR and will be available for viewing under each of Twin Butte and Buffalo's profiles at [www.sedar.com](http://www.sedar.com).

#### Financial and Strategic Advisors

Cormark Securities Inc. ("Cormark") acted as financial advisor to Buffalo in connection with its review of strategic alternatives and Cormark has advised the Board of Directors of Buffalo that it is of the opinion, as of the date hereof, that the consideration to be received by the Buffalo shareholders pursuant to the proposed Arrangement is fair, from a financial point of view, to Buffalo shareholders.

Peters & Co. Limited acted as strategic advisor to Twin Butte.

#### About Twin Butte and Buffalo

Twin Butte Energy Ltd. is a Calgary, Alberta based oil and natural gas company. The common shares of Twin Butte are listed on the TSX under the symbol "TBE".

Buffalo is a Canadian junior oil and gas company engaged in the exploration, development and production of oil and gas reserves in the provinces of Alberta and Saskatchewan. The common shares of Buffalo are listed on the TSX Venture Exchange under the symbol "BFR".

#### Forward-Looking Statements

In the interest of providing Twin Butte's shareholders, Buffalo's shareholders and potential investors with information regarding Twin Butte and Buffalo, including management's assessment of the future plans and operations of Twin Butte and Buffalo, certain statements contained in this news release constitute forward-looking statements or information (collectively "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "could", "plan", "intend", "should", "believe", "outlook", "potential", "target" and similar words suggesting future events or future performance. In addition, statements relating to "reserves" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and can be profitably produced in the future. In particular, this document contains, without limitation, forward-looking statements pertaining to the following: expectations of management regarding the proposed acquisition of Buffalo, including the timing of completion of the acquisition, operating and financial metrics of the acquisition, potential synergies resulting from the acquisition and the effect of the acquisition on Twin Butte's production, cash flow, reserves, undeveloped land position, RLI and tax pools.

With respect to forward-looking statements contained in this news release, we have made assumptions regarding, among other things: future capital expenditure levels; future oil and natural gas prices and differentials between light, medium and heavy oil prices; future oil and natural gas production levels; future exchange rates and interest rates; our ability to obtain equipment in a timely manner to carry out development activities; our ability to market our oil and natural gas successfully to current and new customers; the impact of increasing competition; our ability to obtain financing on acceptable terms; and our ability to add production and

reserves through our development and exploitation activities. Although Twin Butte and Buffalo believe that the expectations reflected in the forward looking statements contained in this document, and the assumptions on which such forward-looking statements are made, are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned not to place undue reliance on forward-looking statements included in this document, as there can be no assurance that the plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur, which may cause Twin Butte's or Buffalo's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, the following: that the Arrangement may not close when planned or at all or on the terms and conditions set forth herein; the failure of Twin Butte and Buffalo to obtain the necessary shareholder, Court, regulatory and other third party approvals required in order to proceed with the Transaction; volatility in market prices for oil and natural gas; incorrect assessment of the value of the acquisition; failure to realize the anticipated benefits and synergies of the acquisition; general economic conditions in Canada, the U.S. and globally; and the other factors described under "Risk Factors" in Twin Butte's and Buffalo's most recently filed Annual Information Form available in Canada at [www.sedar.com](http://www.sedar.com). Readers are cautioned that this list of risk factors should not be construed as exhaustive.

The forward-looking statements contained in this news release speak only as of the date of this news release. Except as expressly required by applicable securities laws, Twin Butte and Buffalo do not undertake any obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this news release are expressly qualified by this cautionary statement.

#### Barrels of Oil Equivalent

Barrels of oil equivalent (boe) are calculated using the conversion factor of 6 Mcf (thousand cubic feet) of natural gas being equivalent to one barrel of oil. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl (barrel) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

This joint news release does not constitute an offer to sell or the solicitation of an offer to buy any securities within the United States. The securities to be offered have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or any state securities laws, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of such Act or other laws.

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CO: Twin Butte Energy Ltd.; Buffalo Resources Corp.

