

**FOR IMMEDIATE RELEASE: July 28, 2009**

**TSX SYMBOLS: ZAR.UN, ZOG.B & TSX VENTURE SYMBOL: CEI**

**ZARGON ENERGY TRUST TO ACQUIRE CHURCHILL ENERGY INC.**

CALGARY, ALBERTA--(Marketwire – July 28, 2009) - Zargon Energy Trust ("Zargon") (TSX: ZAR.UN) (TSX: ZOG.B) and Churchill Energy Inc. ("Churchill") (TSX VENTURE: CEI) are pleased to announce that they have entered into an Arrangement Agreement pursuant to which Zargon will acquire all of the outstanding common shares of Churchill. Pursuant to the agreement, Churchill shareholders will receive, for each common share held, at the election of each holder, either (i) 0.01363 trust units of Zargon for a deemed value of \$0.22; (ii) \$0.22 in cash; or (iii) a combination thereof, subject to proration such that a maximum of \$4.6 million will be paid in cash. The consideration to be received by the Churchill shareholders represents a premium of approximately 90%, based on the five day weighted average trading price of the Churchill common shares ending on July 27, 2009 and a 100% premium based on the closing price of the Churchill common shares on July 27, 2009. The proposed transaction is valued at approximately \$15.0 million, including the assumption of approximately \$5.8 million of net debt (inclusive of adjustments and transaction costs and based on a 5 day volume weighted average trading price to July 22, 2009 of Zargon units of \$16.14 per unit).

Churchill is currently producing approximately 400 barrels of oil equivalent per day of which approximately 61 percent is from the operated Grand Forks, Brazeau and Jarrow/Killam properties in Alberta.

#### **PLAN OF ARRANGEMENT**

Churchill shareholders may elect to receive either 0.01363 Zargon trust units or \$0.22 cash for each Churchill common share, subject to a maximum of \$4.6 million of cash. The transaction will be completed pursuant to a Plan of Arrangement (the "Arrangement") which requires the approval of at least two-thirds of the votes cast by Churchill shareholders at a special meeting of Churchill to be called to consider the Arrangement (the "Meeting") along with customary regulatory, court and other approvals. An Information Circular outlining the Arrangement is expected to be mailed to Churchill shareholders in mid to late August, 2009 in respect of the Meeting, which is anticipated to take place in late September, 2009. If the Arrangement is completed prior to September 29, 2009, as currently anticipated, the first post-Arrangement distribution by Zargon will be paid on October 15, 2009 to Zargon unitholders (including former Churchill shareholders who have elected to receive and continue to hold Zargon trust units) of record on September 30, 2009.

The Boards of Directors of both Zargon and Churchill have unanimously approved the Arrangement. The Board of Directors of Churchill has concluded that the Arrangement is in the best interests of its shareholders and has resolved to recommend that Churchill shareholders vote their Churchill shares in favour of the Arrangement, given that the Arrangement is expected to provide Churchill shareholders with consideration equal to a premium of approximately 90% over the five day weighted average trading price of the Churchill common shares, and, to the

extent shareholders receive Zargon trust units, with monthly cash distributions, access to improved liquidity, continued participation in Churchill's oil and gas prospects, and participation in a significantly larger oil and gas company with a lower costs of capital and improved access to capital.

Certain of the directors and officers of Churchill, beneficially owning approximately 19% of the shares of Churchill, have agreed to vote their shares in favour of the Arrangement. The Arrangement prohibits Churchill from soliciting or initiating discussion regarding any other business combination or sale of material assets, contains provisions for Zargon to match competing, unsolicited proposals and, subject to certain conditions, provides for a \$0.52 million termination fee.

Peters & Co. Limited acted as exclusive financial advisor to Churchill with respect to the transaction and has provided the Churchill Board of Directors with a verbal opinion that, subject to reviewing final documentation, the consideration to be received by the Churchill shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Churchill shareholders.

## **STRATEGIC RATIONALE**

Over its history, Zargon has followed a value-seeking business strategy with the specific objectives of providing long-term, per unit production and reserve growth in a partial cash flow distribution business model. The acquisition of Churchill supports these objectives by providing oil exploitation opportunities and high quality tax pools in addition to natural gas production and undeveloped lands. Specifically, Churchill brings the following assets and opportunities to Zargon:

- Current production of approximately 400 barrels of oil equivalent per day, consisting of 195 barrels of oil per day and 1.23 million cubic feet per day of natural gas.
- Estimated proved and probable reserves of 0.85 million of barrels of oil equivalent which are comprised of 0.57 million barrels of oil and natural gas liquids and 1.71 billion cubic feet of natural gas (based on a Zargon's internal reserve estimate as of July 22, 2009).
- Working interests varying from 56 to 100 percent in three medium and heavy oil Mannville and Sawtooth pools in the Grand Forks area of Southern Alberta where significant incremental waterflood and tertiary recovery potential has been identified.
- A 95 percent working interest in the light oil Brazeau River Nisku I pool of West Central Alberta where significant incremental waterflood recovery potential has been identified.
- Estimated tax pools of approximately \$54 million at June 30, 2009.
- A significant undeveloped land position of approximately 61,000 net acres.

## **FORWARD-LOOKING STATEMENTS**

*Forward-Looking Statements - This document offers our assessment of Zargon's future plans and operations as at July 28, 2009, and contains forward-looking statements including:*

- *The timing of the mailing of the information circular, the holding of the shareholders meeting, the consideration to paid to shareholders and the effective date of the Arrangement referred to under the heading "PLAN OF ARRANGEMENT";*
- *The payment and timing of payments of distributions referred to under the heading "PLAN OF ARRANGEMENT";*
- *Our future plans, costs and additional recovery of reserves at the Grand Forks and Brazeau properties referred to under the heading "STRATEGIC RATIONALE"; and*
- *the availability of tax pools for utilization by Zargon referred to under the heading "STRATEGIC RATIONALE".*

*In addition, information and statements relating to "reserves" are deemed to be forward-looking information and 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 that the reserves can be profitably produced in the future. Such statements are generally identified by the use of words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "should", "plan", "intend", "believe" and similar expressions (including the negatives thereof). By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond our control, such as those relating to results of operations and financial condition, general economic conditions, industry conditions, changes in regulatory and taxation regimes, volatility of commodity prices, escalation of operating and capital costs, currency fluctuations, the availability of services, imprecision of reserve estimates, geological, technical, drilling and processing problems, environmental risks, weather, the lack of availability of qualified personnel or management, stock market volatility, the ability to access sufficient capital from internal and external sources and competition from other industry participants for, among other things, capital, services, acquisitions of reserves, undeveloped lands and skilled personnel; the inability to obtain the required consents, permits or approvals (including court, lender and shareholder) to the Arrangement; and the failure to realize the anticipated benefits of the Arrangement. Risks are described in more detail in Zargon's Annual Information Form for the year ended December 31, 2008 and Churchill's MD&A for the year ended December 31, 2008 and for the first quarter of 2008, all of which are available on SEDAR at [www.sedar.ca](http://www.sedar.ca) and available on Zargon's and Churchill's respective websites. Forward-looking statements are provided to allow investors to have a greater understanding of our business.*

*You are cautioned that the assumptions, including among other things, future oil and natural gas prices; future capital expenditure levels; future production levels; future exchange rates; the cost of developing and expanding our assets; 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 acquisition activities used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Our actual results, performance, or achievement could differ materially from those expressed in, or implied by, these forward-looking statements. We can give no assurance that any of the events anticipated will transpire or occur, or if any of them do, what benefits we will derive from them. The forward-looking information contained in this document is expressly qualified by this cautionary statement. Our*

*policy for updating forward-looking statements is that Zargon disclaims, except as required by law, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

### **BARRELS OF OIL EQUIVALENT**

*Barrels of oil equivalent (“boe”) may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.*

### **ABOUT ZARGON**

Based in Calgary, Alberta, Zargon's securities trade on the Toronto Stock Exchange and there are currently 22.436 million trust units (TSX: ZAR.UN) and 1.849 million exchangeable shares (TSX: ZOG.B) outstanding. After giving effect to the conversion privilege of the exchangeable shares at the current 1.55759 exchange ratio there would be a total of 25.316 million trust units outstanding.

In order to learn more about Zargon, we encourage you to visit Zargon's website at [www.zargon.ca](http://www.zargon.ca) where you will find a current unitholder presentation, financial reports and historical news releases.

### **ABOUT CHURCHILL**

Based in Calgary, Alberta, Churchill securities trade on the TSX Venture Exchange and there are currently 41.18 million shares (TSX VENTURE: CEI) outstanding. Information applicable to Canadian securities regulations has been filed on the SEDAR system at [www.sedar.com](http://www.sedar.com) and the Churchill website at [www.churchillenergy.ca](http://www.churchillenergy.ca).

### **FOR FURTHER INFORMATION PLEASE CONTACT:**

Zargon Energy Trust  
Mr. C.H. Hansen  
President and Chief Executive Officer  
(403) 261-7300

OR

Zargon Energy Trust  
Mr. B.C. Heagy  
Executive Vice President and Chief Financial Officer  
(403) 515-5690  
Email: [zargon@zargon.ca](mailto:zargon@zargon.ca)  
Website: [www.zargon.ca](http://www.zargon.ca)

OR

Churchill Energy Inc.  
Mr. Kelly Cowan  
Chief Executive Officer  
(403) 693-3001

OR

Churchill Energy Inc.  
Mr. Thanh Kang  
Vice President, Finance and Chief Financial Officer  
(403) 698-8246  
Website: [www.churchillenergy.ca](http://www.churchillenergy.ca)