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### Primary Petroleum Executes a Letter of Intent on 291,000 Acres in Southern Alberta Bakken Basin

July 28, 2011 - By EnerCom



On July 27, 2011 Primary Petroleum Corporation (TSX-V: PIE; OTCQX: PETEF) announced that its Board of Directors agreed to move forward in executing a non-binding Letter of Intent to finalize a Farm-out and Joint Operating Agreement with a major U.S.-based industry partner on its 291,000 (100% working interest) net acres under lease and option in the Southern Alberta Basin Bakken Fairway of NW Montana. Management expects the deal to close on or before October 3, 2011, and is subject to title and environmental due diligence and final documentation.

Although this represents a material release of information for Primary, the company did not disclose who the industry partner was or the terms of the non-binding LOI. We don't find this unusual as the acquiring company wants to complete its due diligence phase unencumbered from threats of additional bids to farm-in on the acreage. Primary's current 3-D seismic and vertical drilling program will be ongoing during the due diligence and final documentation negotiation period. It is anticipated that both the Dupuyer Creek and Marias River seismic programs will be completed by the end of August. The seismic crew will then move south to continue with its Deep Creek East and Eureka Lake programs. To-date, the company has identified three vertical drilling locations on its existing 3D seismic that it completed in 2008 and is underway with the well site permitting process.

#### OAG360 Comments:

At past EnerCom conferences and road shows, Primary has been vocal about seeking a joint venture partner with the capital and technical expertise to move their acreage forward at a faster pace. The company's news was welcomed, and adds to management's credibility by delivering what it has been telling investors it will do. Though the release was light on information, we have seen this become more common in active plays where the buyer wants to finish its due diligence and not have a competitor come in and try and trump the deal. Samson Oil & Gas (NYSE Amex: SSN) did this with its farm-out with Chesapeake (NYSE: CHK) on acreage owned prospective for the Niobrara (which CHK then flipped to CNOOC). The true value of this deal will become clearer when we learn who the partner is and their commitment/ability to devote capital to joint develop of this large acreage position. We note that PIE's all in acreage cost in the play is just north of \$40 per acre and that nearby acreage has gone for as high as \$250 an acre.

[Click here](#) for a replay of Primary Petroleum's webcast during EnerCom's London Oil & Gas Conference™ 3 on 16 June 2011.

Primary Petroleum was also available for an Oil & Gas 360® television interview while in London.

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#### Alberta Bakken Basin Activity is Heating Up:

EnerCom was recently in Glacier County looking at operations on the Montana side of the Southern Alberta Bakken Basin play and the Cut Bank Field. Some observations and data points from the trip include:

- Pioneer Drilling (NYSE: PDC) Rig 41 is drilling a horizontal well for Rosetta Resources (NASDAQ: ROSE) in T36N R9W ne ne Sec34.
- ROSE is re-entering Tribal Big Rock (T37 6W Sec29) and going horizontal.
- Newfield Exploration (NYSE: NFX) said in its Q2'11 conference call that they were going to bring frac crews to the basin. NFX CEO Lee Boothby said during the Q2'11 conference call: "Quickly, on to the Southern Alberta Basin. Our assessment program continues. To date we've drilled seven vertical wells, completed two horizontal wells. We're preparing to initiate fracture and testing operations on four vertical wells in the next week or so. This will give us data on several geologic horizons. We remain encouraged that all of our wells to date have encountered oil over a very large early extent. We have increased our acreage in the play to more than 320,000 net acres today."
- While in Glacier County we were told that the four wells are: Rumney (T37 R11 Sec23), Sacred Pipe (T35 R9 Sec21), Peacemaker, and Buffalo Jump. We were told that Fractech was the company of choice for this frac work. Land owner here in Glacier said the county is "bracing itself" for an increase in drilling activity.
- We were told last week by a Glacier County landowner that NFX was seeking to put in 15 drilling permits. We visited the Glacier County Courthouse and were told that there is a steady stream of people seeking information on leasing lands for oil drilling in Glacier County.
- A quick update on DeeThree Exploration (TSX: DTX): Murphy (NYSE: MUR) completed their third well in the Del Bonita area and is planning a 19-stage frac. No information on how the first two wells are holding up. These are wells are located near the Amoco Del Bonita 16-35 well that was drilled back in 1981. Murphy also is close to "TD" on their first farm-out well with DeeThree. They will frac with water instead of oil and we understand that they can now drill and complete a well for \$3MM. DeeThree is building a tank battery for the company's first well that was announced on May 11, 2011. [Click here](#) for that news release.
- A Crown Lease sale took place very recently. One tract around the DeeThree / TORC Oil & Gas farm-out went for \$8,200/acre. [Click here](#) for the DeeThree June 27 farm-out announcement.

A number of Alberta Bakken players will be presenting at EnerCom's The Oil and Gas Conference® 16 and we expect companies to be announcing new data points. Presenting companies with acreage in the play include:

- Primary Petroleum (TSX-V: PIE; OTCQX: PETEF)
- Rosetta Resources (Nasdaq: ROSE)
- Dee Three Exploration (TSE:DTX)
- Crescent Point (TSX: CPG)
- Legacy Oil + Gas (TSX: LEG)
- Shell (NYSE: RDS.B)
- FX Energy (NASDAQ: FXEN)

Oil & Gas 360® wrote several notes on Primary Petroleum and the southern Alberta Bakken Basin:

- Notes from the Road: Primary Petroleum (London) – 6/22/11. [Click Here](#)
- Notes from the Road: Primary Petroleum (Denver) – 5/18/11. [Click Here](#)
- Primary Petroleum Presents at EnerCom's The Oil & Services Conference™ IX – 2/25/11. [Click Here](#)
- The Alberta Basin Bakken in Montana – 7/19/10. [Click Here](#)
- Go West Young Man, Go West! Drilling For Oil in Glacier County, Montana – 4/29/10. [Click Here](#)

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