



**Primary Petroleum Corporation (PIE-TSXV, \$0.31)**

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**NOT RATED**

**Company Profile**

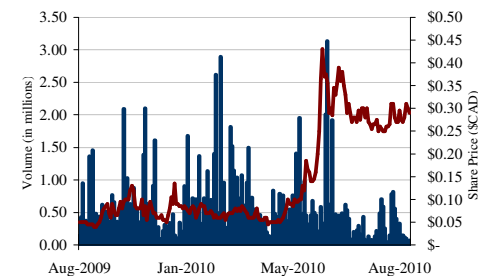
Previous Close	\$0.31
52-Week High-Low	\$0.48 - \$0.04
Avg. Daily Volume (30 days)	172,800
Basic SO (mm)	92.1
Fully Diluted SO (mm)	125.2
Market Cap (\$ mm)	\$28.1
Net Working Capital Surplus (mm)	\$0.9
Enterprise Value (\$ mm)	\$27.2
Fiscal Year End	31-May

**Shareholders**

Mgmt & Directors:	10.1%
Pinetree Resources Corp.	10.1%
Float	79.8%

**Operating**

Average Production - 2010E (boe/d)	10
% Oil	0%
2009 Reserves (P+P) (mboe)	240
Net Undeveloped Land (Acres)	208,712



Source: CapitalIQ

Primary is a junior oil and gas company engaged in exploration and development of light oil resource plays in Montana.

**Management**

Mike Marrantino - President and CEO & Director  
Rod Haverslew, M.Sc., P.Geol. - VP Exploration & Director  
Paul Plater, CA, CPA (Illinois) - CFO  
Colleen Bailey - Manager of Land

**Board**

Mike Marrantino - President and CEO  
Rod Haverslew, M.Sc., P.Geol. - VP Exploration  
Alan Blair - Senior Partner, GLH L.L.P.  
Rob Geisthardt - Partner, Quantum Advisory Partners L.L.P.

**LARGE, FOCUSED EXPOSURE TO ALBERTA BASIN BAKKEN**

Technology advancements have made several massive, tight light oil resource plays highly economical and sought after. The Alberta Basin Bakken appears to be the next on that list. Primary is almost exclusively focused on that play in Montana. Significant, recent industry activity in this fairway, immediately north of Primary's land position, has pointed to an emerging light oil resource play that is analogous to the Williston Basin.

**HIGHLIGHTS:**

**Large Contiguous Land Position**

- 110,000 contiguous acres (100% WI) in western Montana, which are favourably located 12 miles south of Bakken lands owned by Rosetta Resources and Newfield Exploration and Anschutz Oil and Gas where 16 wells have been permitted, spud and/or drilled (Exhibit 2).
- 20,000 contiguous acres (100% WI) in eastern Montana, located northwest of the Elm Coulee Bakken field where 70 mmbbls have been recovered (Exhibit 3).

**Potential to Exceed Other Bakken Plays**

- Rosetta estimates 13-15 mmbbls per section of OOIP in the Lodgepole, Bakken, Three Forks and Nisku formations based on three delineation wells. This compares favourably to the other Bakken plays.

**Over 10x Potential Value**

- Based on data from Rosetta and similar economics to SE Sask and North Dakota Bakken plays, PIE could have 127 mmbbls of un-risked recoverable resource on its two land blocks in Montana (assuming a 50% WI farm-out). On a risked basis, PIE has a potential NPV<sub>10</sub> of \$3.00 per FD share. (Exhibit 4).
- High prices at recent land sales suggest significant value for Primary's land. At the July 7/10 land sale price of \$1,450/acre (Exhibit 1: land near the Alberta/Montana border), Primary's land position in western Montana alone results in a value of \$160 million (\$1.34/ FD share).

**Advantageous Economics**

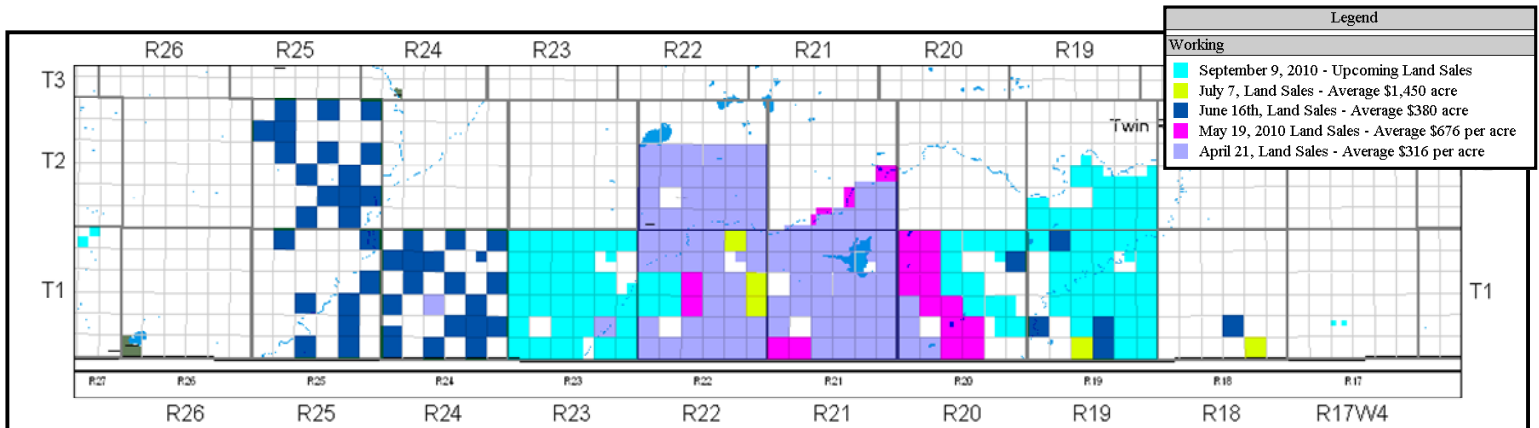
- Primary's lands are generally subject to a 20% royalty (mostly fee simple), compared to over 30% on the Blackfeet Indian Reservation to the north, where Rosetta and Newfield are. Primary has 5-yr lease terms with 5-yr renewals.

**POTENTIAL CATALYSTS:**

- Industry activity could prove up the play as both Rosetta and Newfield have multi-well programs planned for the Alberta Basin in H2/10.
- Joint venture partner likely needed to effectively capitalize this exploration. With ~\$1mm in cash and another \$3.75mm possible through forced conversion of outstanding warrants, Primary can fund some exploration activity in the absence of a joint venture partner.

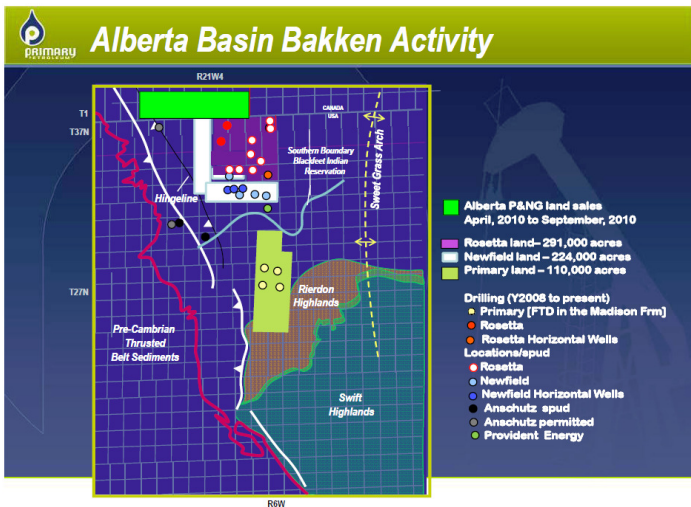


**Exhibit 1: Southern Alberta Land Sales**



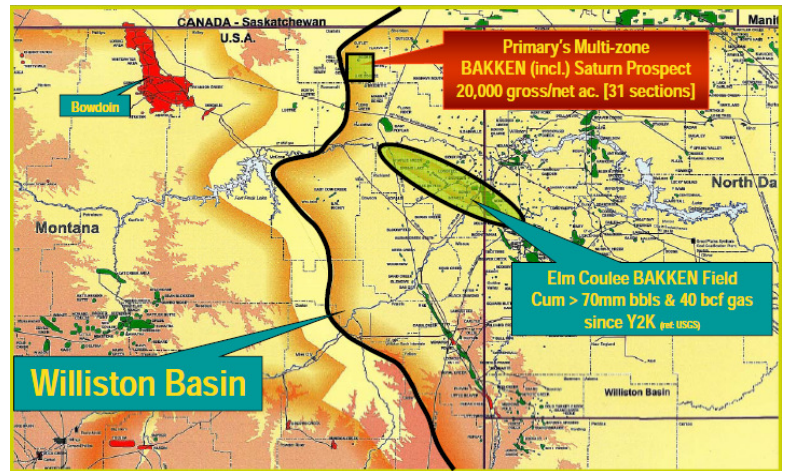
Source: GeoScout

**Exhibit 2: Western Montana Land Holdings**



Source: Company Presentations

**Exhibit 3: Eastern Montana Land Holdings**



**Exhibit 4: Potential Risked Net Asset Value**

Property	Net Sections (50% farm-out assumed)	Potential OOIP per section mmbbls	Recovery Factor %	Un-risked Recoverable Reserves mmbbls	Risked Recoverable Reserves mmbbls	Risked NPV <sub>10</sub> \$mm	Risked NPV <sub>10</sub> per FD share
Western Montana Bakken	86	13	10%	112	16.8	\$335	\$2.80
Eastern Montana Bakken	16	10	10%	16	1.2	\$23	\$0.20
<b>Total</b>	<b>102</b>	<b>23</b>		<b>127</b>	<b>17.9</b>	<b>\$359</b>	<b>\$3.00</b>

Source: Clarus Securities

**RISKS**

- Exploration drilling has inherent uncertainties. Commercial quantities of oil or gas have not been proven on either of Primary's land blocks at this point.
- The Company is currently seeking a JV partner to exploit their lands, there is uncertainty in finding a suitable partner.
- Access to technical personnel and services will be required to develop the assets.



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