



**For Immediate Release**

**TSX: TUI.UN**

**TSX: PSL**

**TRUE ENERGY TRUST TO ACQUIRE PRAIRIE SCHOONER PETROLEUM LTD.  
FOR \$431 MILLION**

Calgary, Alberta, July 26, 2006 – True Energy Trust ("True" or the "Trust") and Prairie Schooner Petroleum Ltd. ("Prairie Schooner") are pleased to announce that they have entered into an arrangement agreement (the "Arrangement") whereby True Energy Inc., a subsidiary and administrator of the Trust, will acquire, by way of a plan of arrangement, all of the issued and outstanding common shares of Prairie Schooner in exchange for trust units of True ("Trust Units"). Pursuant to the Arrangement, shareholders of Prairie Schooner will receive 1.22 Trust Units for each common share of Prairie Schooner resulting in the issuance of approximately 26.2 million Trust Units assuming all currently in the money Prairie Schooner options are exercised. Based on the July 25, 2006 closing prices, the Arrangement represents a 16% premium to the shareholders of Prairie Schooner. The total value of the transaction is approximately \$431 million, including approximately \$54 million of assumed net debt.

Paul Baay, President and CEO of True said "this gas weighted transaction continues to reinforce our positive long term view of natural gas markets in North America and brings us to our 2006 target of 20,000 boe/d for the Trust".

**Impact of the Transaction on True**

True will acquire an attractive suite of liquids-rich natural gas-focused properties in West Central, East Central and Southern Alberta. Approximately 80% of the properties are operated and are characterized by high working interests, low operating costs and high field netbacks. Prairie Schooner's current production is approximately 6,800 boe/d, 89% of which is natural gas.

The addition of the Prairie Schooner properties is a logical extension of True's existing operations and includes large overlap in the Doris and Pembina/Ferrier areas of West Central Alberta. The combined entity will benefit from a significant portfolio of low risk conventional development opportunities, continued exploitation and deep natural gas plays in addition to multiple CBM opportunities. Going forward, the Trust will have a more balanced production base of natural gas, light oil and heavy oil.

**Transaction Highlights:**

- The transaction is expected to be accretive to True's cash flow and reserves on a per unit basis;
- The transaction results in the addition of approximately 6,800 boe/d of low operating cost production to True, improving overall unit operating costs. Prairie Schooner's operating costs averaged \$7.39/boe in the first quarter of 2006;
- As a result of the transaction True's production mix will be approximately 67% natural gas, 23% heavy oil and 10% light oil and NGLs, resulting in improved netbacks;

- Based on the reserve evaluations prepared by GLJ Petroleum Consultants Ltd., proved plus probable reserves to be acquired by True are estimated at 20.6 million barrels of oil equivalent (88% natural gas), effective December 31, 2005;
- As of December 31, 2005, approximately 84% of the acquired proved reserves are proved producing reserves;
- The proved plus probable reserve life index of the acquired properties is approximately 8.3 years increasing the Trust's reserve life to 7 years;
- The transaction will also add approximately 265,000 net acres of undeveloped land valued by Seaton Jordan at approximately \$27 million, increasing True's undeveloped land position to in excess of 700,000 net acres;
- Provides a multi-year portfolio of drilling opportunities which will result in the Trust having an inventory of over 700 drilling locations;
- True's management team will be further enhanced by the addition of Mr. Neil Roszell, President and Chief Operating Officer of Prairie Schooner, who will become True's VP of Business Development on completion of the Arrangement. Mr. Roszell, along with additional Prairie Schooner staff, will assist True's asset and corporate acquisition strategy while ensuring a smooth transition;
- Strengthened corporate governance through the additions of Mr. Jim Saunders, Chairman and CEO of Prairie Schooner and Mr. Murray Cobbe, a director of Prairie Schooner, to True's Board of Directors on completion of the Arrangement;
- Each of Prairie Schooner and True have agreed to hedge up to 30% of the current production during next winter on a mutually agreed upon basis. This will ensure cash flows are enhanced to provide sustainability of distributions and also provide the working capital to exercise on the additional opportunities of Prairie Schooner's capital inventory; and
- Provides enhanced size and liquidity with a market capitalization of approximately \$1 billion.

Based on a total acquisition cost of approximately \$431 million, and net of \$27 million of undeveloped land value, the acquisition metrics of the transaction are approximately:

- \$19.60 per boe of proved plus probable reserves based on the December 31, 2005 reserve evaluation; and
- \$59,400 per boe/d based on 6,800 boe/d of production.

#### **Impact of the Transaction on Prairie Schooner**

Pursuant to the Arrangement, shareholders of Prairie Schooner will receive Trust Units of True which will allow them to continue to participate both in the existing production base built by Prairie Schooner and in the enhanced opportunities currently available to True. Prairie Schooner believes that the transaction will enhance value for its shareholders through its ongoing participation in True. This will provide a larger and more diverse asset base which will deliver an attractive stream of cash distributions and a large inventory of drilling opportunities.

Jim Saunders, Chairman and Chief Executive Officer of Prairie Schooner noted, "As a future director and significant unitholder of True, I am excited about the opportunities that this

transaction brings to both sides. I personally see an excellent capital appreciation opportunity in True's units for our shareholders; while receiving a premium distribution. I strongly support the transaction".

### **Distribution Policy**

The Board of True has adopted a policy of paying distributions in respect of the outstanding Trust Units (as presently constituted) in the amount of \$0.24 per Trust Unit for the distributions to be paid in each of the months of September, October, November and December 2006, subject to declaration by the board and the board of directors reviewing and modifying the foregoing if determined necessary.

### **Approvals and Board Recommendations**

The Arrangement is subject to regulatory and court approval, the approval of 66 2/3% of votes cast by the shareholders and optionholders of Prairie Schooner and by a majority of shareholders of Prairie Schooner (excluding certain directors or officers of Prairie Schooner required to be excluded by securities regulatory requirements). It is expected that a meeting will be held in late September 2006, with the Arrangement closing shortly thereafter.

The Arrangement has been unanimously approved by the Boards of Directors of both True and Prairie Schooner. The Board of Directors of Prairie Schooner has unanimously concluded that the Arrangement is in the best interests of its shareholders and is unanimously recommending that shareholders and optionholders of Prairie Schooner vote in favour of the Arrangement. Holders representing approximately 2.8 million common shares or 14% of the outstanding shares of Prairie Schooner, including all directors and officers and certain insiders of Prairie Schooner, have entered into lock-up agreements with True whereby they have agreed to vote their shares of Prairie Schooner in favour of the Arrangement, subject to certain exceptions.

Prairie Schooner has agreed to terminate discussions with any other parties and not to solicit or initiate discussions, negotiations with any other party with respect to any business combination or similar transaction. The agreement provides True with a right to match any competing offer. Prairie Schooner and True have each agreed to pay to the other party a non-completion fee of \$6 million in certain circumstances.

Scotia Waterous is acting as the exclusive financial advisor to True in connection with the transaction. CIBC World Markets Inc., FirstEnergy Capital Corp. and Peters & Co. Limited are acting as strategic advisors to True.

GMP Securities L.P. ("GMP") is acting as the exclusive financial advisor to Prairie Schooner with respect to this transaction. GMP has provided the Board of Directors of Prairie Schooner with an opinion that, subject to review of the final documentation, it is of the opinion, as of the date hereof, that the consideration to be received by Prairie Schooner shareholders pursuant to the proposed Arrangement is fair, from a financial point of view, to Prairie Schooner shareholders.

### **Conference Call**

A joint conference call to discuss the proposed transaction will be held on Wednesday July 26, 2006 at 9:00 AM Mountain Daylight Time (11:00 AM Eastern Daylight Time). To participate, please call toll-free (888) 811-1264 from anywhere in North America or international toll free (706) 679-6780. The conference call will also be recorded and available after 1:00 PM Eastern Daylight Time for review until August 2, 2006 by calling (800) 558-5253 from anywhere in North America or international toll free (416) 626-4100 and enter reservation number 21300458 followed by the # key.

For further information, please contact:

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**READER ADVISORIES**

*This news release shall not constitute an offer to sell or the solicitation of offer to buy nor shall there be any sale of the Trust Units in any state in the United States in which such offer, solicitation or sale would be unlawful. The Trust Units have not been registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements.*

*Per barrel of oil equivalent (“BOE”) amounts may be misleading, particularly if used in isolation. A BOE conversion ratio has been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel and is based on an energy equivalent conversion method application at the burner tip and does not represent an economic value equivalency at the wellhead.*

*Forward Looking Statements - Certain information regarding True, True Energy and Prairie Schooner (the “Companies”) set forth in this news release, including management’s assessment of the Companies future plans and operations, the effect of the Arrangement on True and True Energy and on unitholders of True and shareholders of Prairie Schooner and the distributions policy of True, contain forward-looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the Companies’ control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, the lack of availability of qualified personnel or management, stock market volatility, and ability to access sufficient capital from internal and external sources, economic or industry condition changes, uncertainty related to completion of the Arrangement and the effect thereof and failure to receive required regulatory approvals. The Companies’ actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that the Companies will derive therefrom. Additional information on these and other factors that could affect the Companies’ results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)), at True's website ([www.trueenergytrust.com](http://www.trueenergytrust.com)) or Prairie Schooner’s website ([www.prairieschooner.ca](http://www.prairieschooner.ca)). Furthermore, the forward-looking statements contained in this news release are made as of the date of this news release, and none of the Companies undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable securities law.*