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PRIMEWEST ENERGY TRUST ACQUIRES CALPINE ENERGY ASSETS, A 25% INTEREST OF CALPINE NATURAL GAS TRUST AND ANNOUNCES BOUGHT DEAL FINANCING

August 16, 2004

FOR IMMEDIATE RELEASE

CALGARY (TSX: PWI.UN; PWX; NYSE: PWI) – PrimeWest Energy Trust (PrimeWest) today announces that it has entered into an agreement with Calpine Canada Natural Gas Partnership, Calpine Energy Holdings Limited and Calpine Corporation (Calpine) for the purchase of all of the petroleum and natural gas assets owned by Calpine Energy Holdings Limited and Calpine Canada Natural Gas Partnership, including a 25% interest in Calpine Natural Gas Trust, for total consideration estimated to be on closing of approximately \$806 million.

Approximately \$649 million of the total consideration is attributable to the purchase of oil and gas reserves, \$48 million to undeveloped land and seismic data, \$35 million to third party processing income, and approximately \$74 million to the purchase of the units of Calpine Natural Gas Trust.

The acquisition metrics are approximately \$44,800 per BOE per day based on the current production rate of 14,500 BOE per day, with acquisition costs of \$11.90 per BOE for the proved plus probable (P+P) reserves estimated as at September 1, 2004, excluding unbooked upside reserves potential, undeveloped land, seismic data, and third party processing income based on an external engineering report.

The transaction is expected to close on September 2nd, 2004 and is subject to regulatory and other conditions, which are typical of acquisitions of this nature.

This transaction represents an opportunity for PrimeWest to acquire high quality, long life assets, with significant development potential, at a price that should generate an attractive return for investors. PrimeWest will fund the acquisition with the proceeds of a concurrent bought deal financing and the deployment of existing credit facilities.

The acquisition is expected to be approximately 23% accretive to cash flow per trust unit and 18% accretive to production per trust unit on a 2005 forecast full year basis, assuming completion of an asset divestment program.

Subject to the successful closing of this transaction on September 2nd, 2004, PrimeWest would expect to increase the distribution payable October 15th, 2004 by \$0.025 per unit resulting in a total distribution of \$0.30 Canadian per unit. The proposed increase represents 33% of the forecast 2005 cash flow accretion. The record date for this payment would be September 22nd, 2004 and the ex-distribution date would be September 20th, 2004.

Asset Acquisition Highlights

- PrimeWest is acquiring approximately 14,500 BOE/day of high quality, predominantly liquids rich natural gas production in west central and southern Alberta, which has a strategic fit with the existing PrimeWest asset base. The production is weighted 83% to natural gas, 11% to natural gas liquids and 6% to crude oil.

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- Approximately 55.5 million BOE of P+P reserves, including gross over-riding royalty interests, are being acquired through this transaction based upon an independent engineering determination conducted in accordance with National Instrument 51-101.
- The P+P reserve life index of the properties being acquired is 10.5 years, not including the unbooked upside potential, enhancing the 9.6 year reserve life of the existing PrimeWest reserve base. The properties are 73% operated, with an average working interest of approximately 60% and more than one half of production is concentrated in three key areas that are in proximity to PrimeWest's existing core operations.
- Operating expenses are currently \$6.50 per BOE, net of processing income.
- Undeveloped land holdings of 627,306 net acres and a seismic database, including all interpreted data, are included with the acquired assets.
- Full tax pools, up to the purchase price of the assets, are being acquired, which will increase value to Canadian unitholders in the form of lower immediate taxability of distributions.
- PrimeWest has identified what it believes is significant unbooked upside potential in the asset base being acquired. Approximately \$270 million of capital development projects have been tentatively identified.
- Economies of scale and operating synergies achieved through this acquisition are expected to reduce PrimeWest's general and administrative costs per BOE for 2005.
- Upon completion of the acquisition, PrimeWest will proceed with disposition of up to \$100 million of non-core properties as part of the ongoing effort to upgrade the asset portfolio and maintain balance sheet strength, including reducing its debt.

Hedging Update

Consistent with its hedging policy, PrimeWest anticipates hedging up to 90% of the acquired natural gas production, net of the royalty portion, with costless collars having a floor price of \$6.00 per GJ and ceiling prices ranging from \$7.20 to \$10.70 GJ over terms ending as late as to March 31, 2006.

As part of the Asset Purchase Agreement with Calpine, PrimeWest has entered into an agreement with Calpine providing for the sale to Calpine of production attributed to the acquired assets over a seven-year term at an AECO-based benchmark price. That agreement provides for a revenue sharing mechanism should natural gas prices rise above specified levels over the quarterly forward price strip during the next two and a half years effective July 1st, 2004. Revenues in excess of the set prices plus \$1.00 per Mcf will be shared 50/50 with Calpine with a maximum payment of \$2.5 million in any quarter.

Reserves Summary

A total of 55.5 million BOE of P+P company interest reserves, including gross over-riding royalty interests, are being acquired based upon independent engineering reports, as at July 1, 2004, prepared in accordance with National Instrument 51-101. The following table is a summary of the reserves being acquired based upon forecast prices and costs and on a company interest basis.

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	Natural Gas (Bcf)	Crude Oil & NGLs (Mbbbl)	Total (MMBOE)
Proved Developed Producing	181.7	7.0	37.3
Proved Undeveloped	37.2	1.3	7.5
Total Proved	218.9	8.3	44.8
Probable	53.5	1.8	10.7
Total Proved plus Probable	272.4	10.1	55.5

Major Property Profiles

Wilson Creek, Ferrier, Willesden Green, Modeste and Gilby Areas

- Current production of approximately 5,700 BOE per day.
- These fields are bounded by PrimeWest's core areas of Caroline to the south and Thorsby to the north.
- Upside opportunities include multi-zone production in the Mannville, Pekisko, and Wabamun formations.

Irricana Area

- Current production of approximately 2,550 BOE per day.
- Directly adjacent to PrimeWest's core holdings in Crossfield East and overlays PrimeWest's Lone Pine Creek assets.
- PrimeWest's ownership in the PrimeWest operated Crossfield East gas plant will increase by 26.7% to 55.5%.
- Improvements in reservoir performance from gathering system optimization are anticipated.

Edson, Minehead, Columbia and Harlech Areas

- Current production of approximately 2,200 BOE per day primarily from Viking and Cardium formations.
- These fields are northwest of PrimeWest's Caroline assets on trend for the Viking and Cardium formations.
- Significant development drilling for both new and down-spaced sections exist on these tight gas assets.

Bindloss Area

- Current production of 800 BOE per day primarily from the Viking sand formation.
- There is shallow gas drilling potential in the Milk River, Medicine Hat and Second White Specks formations.



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Princess Area

- Production of approximately 350 BOE per day from the Milk River, Medicine Hat, and Second White Specks formations.
- Directly adjacent to PrimeWest's long life Dinosaur property and the properties acquired from Seventh Energy earlier in 2004.
- Additional drilling opportunities exist to add reserves and production.

Calpine Natural Gas Trust

- Included in the transaction are 6.8 million units, representing approximately 25% of the outstanding Trust units of Calpine Natural Gas Trust presently held by Calpine Energy Holdings Limited. The Calpine Natural Gas Trust is a publicly listed trust, which trades on the Toronto Stock Exchange (TSX) under the symbol CXT.UN. The \$74 million attributable to the acquisition of the Trust units represents a value of approximately \$10.89 per unit, compared to the closing price of \$11.91 per unit on August 13th, 2004.
- At the current distribution rate of \$0.15 per unit per month, PrimeWest expects to receive a cash distribution of approximately \$1 million per month.
- PrimeWest currently intends to hold these Trust units initially as a passive investment, and is assessing a number of alternatives for the future.
- Total production for the Trust is approximately 7,300 BOE per day, weighted 73% to natural gas and 27% to crude oil and natural gas liquids.
- The Trust has approximately 22.6 million BOE of P+P reserves with a reserve life index of 8.5 years, as reported at fiscal year-end 2003.
- Five key properties contribute 80% of the production: Markerville, Sylvan Lake, Grande Prairie, Pouce Coupe, and Whitecourt.

Outlook for 2004

Following the successful acquisition of the Calpine assets PrimeWest expects its full year 2004 production to be approximately 35,500 BOE per day representing a 5,000 BOE per day increase from our previous outlook. Operating expenses are anticipated to be \$6.65 per BOE versus previous estimate of \$6.75 per BOE for the full year. Full year capital expenditures are expected to increase by \$35 million to \$125 million for development opportunities for 2004.

Financing

In conjunction with the acquisition, PrimeWest has entered into an agreement to sell on a bought deal basis, to a syndicate of Canadian underwriters led by Scotia Capital Inc. and CIBC World Markets Inc., 10,300,000 PrimeWest units at \$24.40 per unit raising gross proceeds of approximately \$251.3 million, \$150 million of five year and \$100 million of seven-year convertible unsecured subordinated debentures. The five-year convertible debentures will bear a coupon of 7.5 percent per annum, payable semi-annually, and be convertible to units of PrimeWest at a price of \$26.50 per trust unit. The seven-year debentures will bear a coupon of 7.75 percent per annum, payable semi-annually, and be convertible to units of PrimeWest at a price of \$26.50 per trust unit. The financing is expected to close on September 2, 2004, and as such purchasers of this offering will not be eligible to receive the \$0.275 per unit distribution payable on September 15, 2004 to unitholders of record on August 23, 2004. The offering issue price, net of this distribution adjustment, represents a discount to the volume weighted average price of \$25.75 per unit of 4.27%.

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PrimeWest senior debt facilities have been increased to \$625 million from its previous level of \$400 million. At the time of closing the Calpine acquisition this facility is expected to be drawn to approximately \$518 million, leaving adequate capacity for capital expenditures. The Calpine Natural Gas Trust units are not pledged under the credit facility. As part of its asset divestment program, PrimeWest expects to receive cash proceeds of up to \$100 million to add to its capacity to fund future investment.

The offering of units will be made in Canada by means of a short-form prospectus and to eligible international investors and is subject to normal regulatory approvals. The securities to be issued have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold within the United States or for the account or benefit of American residents. This release does not constitute an offer for sale of trust units in the United States.

Conference Call and Webcast

PrimeWest will be conducting a conference call and Webcast for interested analysts, brokers, investors and media representatives to review the announced acquisition. The call will be held at 2:30 PM Mountain Daylight Time, 4:30 PM Eastern Daylight Time, on August 16, 2004.

Callers may dial 1-800-796-7558 a few minutes prior to commencement of the call and request the PrimeWest conference call. The call also will be available for replay by dialing 1-877-289-8525, and entering passcode 21053065 followed by the pound (#) key.

Interested users of the Internet are invited to go <http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=888140> for the live Webcast and/or replay or access the Web cast at the PrimeWest Web site, www.primewestenergy.com

Forward-Looking Information - Caution

In the interest of providing PrimeWest unitholders with information regarding these acquisitions, this news release contains forward-looking information that represents management's view of PrimeWest's internal projections, expectations and beliefs concerning, among other things, future operating results and various components thereof,

including but not limited to production volumes, natural gas, crude oil and NGL commodity prices, and operating, G&A and capital costs, and PrimeWest's future economic performance. The projections, estimates and beliefs contained in such forward-looking statements necessarily involve known and unknown risks and uncertainties which may cause PrimeWest'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, such risks and uncertainties described above and in PrimeWest's filings with the Canadian and U.S. securities authorities. Accordingly, PrimeWest unitholders and potential investors are cautioned that events or circumstances could cause actual results to differ materially from those predicted.

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PrimeWest is a Calgary-based conventional oil and gas royalty trust that actively acquires, develops, produces, and sells natural gas, crude oil, and natural gas liquids for the generation of monthly cash distributions to unitholders. Trust units of PrimeWest are traded on the Toronto Stock Exchange (TSX) under the symbol "PWI.UN" and on the New York Stock Exchange under the symbol "PWI". Exchangeable shares of PrimeWest Energy Inc. are listed on the TSX under the symbol "PWX".

Learn more about PrimeWest on our Web site, www.primewestenergy.com.

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