



Independent Stock Idea

November 12, 2008

rating: hold
s&p 500: 899

Penn West Energy Trust (PWE) Distribution Yield 20%

<i>Symbol</i>	PWE	<i>Ebitda Next Twelve Months ending 9/30/09 (US\$mm)</i>	1,960
<i>Rating</i>	Hold	<i>North American Natural Gas/Ebitda (%)</i>	32
<i>Price (US\$/un)</i>	16.31	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	11/11/08	<i>Adjusted Reserves/Production NTM</i>	7.7
<i>Units (mm)</i>	390	<i>EV/Ebitda</i>	5.3
<i>Market Capitalization (US\$mm)</i>	6,400	<i>PV/Ebitda</i>	7.4
<i>Debt (US\$mm)</i>	3,900	<i>Undeveloped Reserves (%)</i>	9
<i>Enterprise Value (EV) (US\$mm)</i>	10,300	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	28.16
<i>Present Value (PV) (US\$mm)</i>	14,400	<i>Present Value Proven Reserves(US\$/boe)</i>	25.68
<i>Net Present Value (US\$/unit)</i>	27	<i>Present Value Proven Reserves(US\$/mcf)</i>	4.28
<i>Debt/Present Value</i>	0.27	<i>Earnings Next Twelve Months (US\$/un)</i>	1.15
<i>McDep Ratio - EV/PV</i>	0.71	<i>Price/Earnings Next Twelve Months</i>	14
<i>Distribution Yield (%/year)</i>	20.7	<i>Indicated Annual Distribution (US\$/un)</i>	3.38
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.			
Reported results may vary widely from estimates. Estimated present value per unit revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$75 a barrel and natural gas, \$10 a million btu.			
For historical analysis of PWE since 2005 see www.mcdep.com/5pwt.htm			

Summary and Recommendation

Hold-rated **Penn West Energy Trust (PWE)** offers unlevered appreciation potential of 41% to estimated net present value (NPV) of \$27 a share. On October 28, we reset NPV from \$40 a share on the basis of a long-term oil price assumption of \$75 a barrel, down from \$100. Patience may be necessary as PWE stock price remains below the 200-day average of \$27. Released today, third quarter results displayed strength in unlevered cash flow (Ebitda) driven by crude oil and natural gas prices. Futures prices now look lower for the next four quarters (see table [Next Twelve Months Operating and Financial Estimates](#)). Projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) supports NPV (see table [Functional Cash Flow and Present Value](#)). As we write this analysis before management's quarterly conference call, we project distributions to continue at the same level, which implies a distribution yield of 20.7% for the next year. Though the rate cannot be sustained indefinitely at low oil price, there may be tax advantages for unitholders until the trust tax status ends in Canada in 2011. Meanwhile, we believe that investor confidence in global growth and the prospects for oil and gas producers like PWE can improve seasonally from last month's nadir and be sustained after next year.

Kurt H. Wulff, CFA



Independent Stock Idea

November 12, 2008

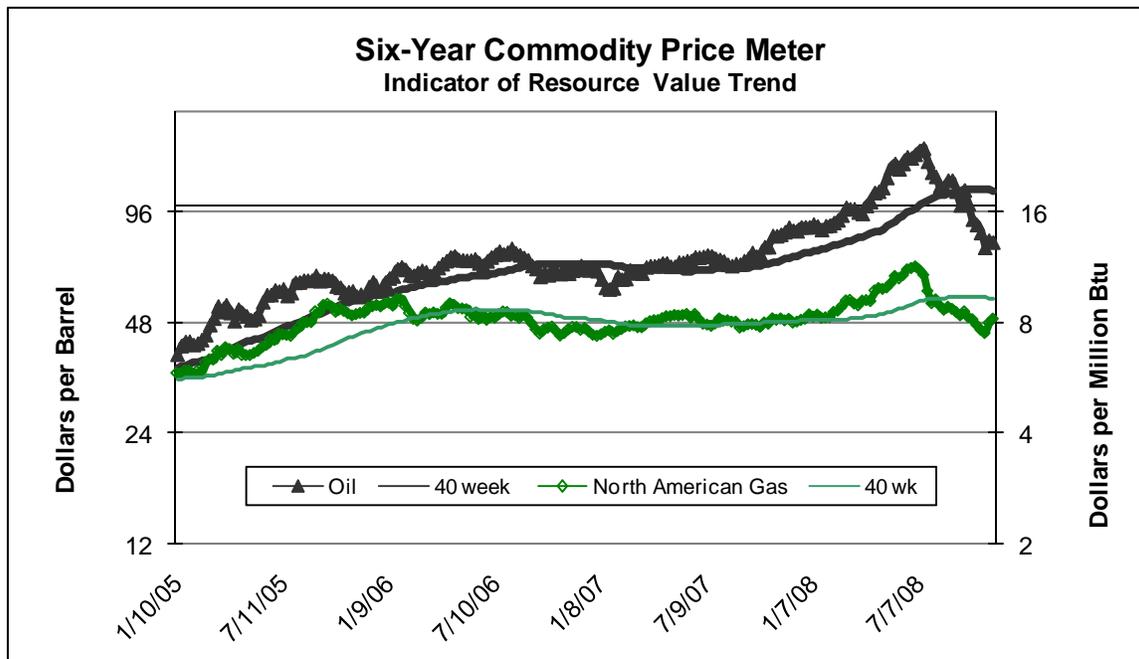
Penn West Energy Trust									
Next Twelve Months Operating and Financial Estimates									
(Canadian dollars)									
									<i>Next</i>
	<i>Q3</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Twelve</i>
	<i>9/30/07</i>	<i>6/30/08</i>	<i>9/30/08</i>	<i>12/31/08</i>	<i>2008E</i>	<i>3/31/09</i>	<i>6/30/09</i>	<i>9/30/09</i>	<i>Months</i>
									<i>9/30/09</i>
Volume									
Natural Gas (mmcf)	315	487	500	500	497	500	500	500	500
Days	92	91	92	92	366	90	91	92	365
Oil (mbd)	73	109	107	107	108	107	107	107	107
Total gas & oil (bcf)	69	104	105	105	419	103	104	105	417
Total gas & oil (mbd)	125	191	190	190	191	190	190	190	190
Price									
Natural gas (\$/mcf)									
Henry Hub (US\$/mmbtu)	6.16	10.93	10.25	7.07	9.07	7.43	7.37	7.63	7.37
Currency (US\$/C\$)	0.96	0.99	0.96	0.83	0.95	0.83	0.83	0.83	0.83
Henry Hub (C\$/mmbtu)	6.44	11.04	10.66	8.53	9.57	8.96	8.89	9.22	8.90
Company (C\$/mcf)	5.86	10.20	8.49	6.79	8.35	7.14	7.08	7.34	7.09
Oil (\$/bbl)									
WTI Cushing (US\$)	75.48	123.97	117.99	67.47	101.84	64.18	66.77	69.06	66.87
WTI Cushing (C\$/bbl)	78.95	125.23	122.77	81.45	107.54	77.49	80.61	83.38	80.73
Company (C\$/bbl)	65.43	107.17	107.19	71.11	92.20	67.65	70.38	72.79	70.50
Total gas & oil (\$/mcf)	8.79	14.60	13.76	9.64	10.10	9.46	9.69	10.03	7.56
Revenue (\$mm)									
Natural Gas	170	452	391	312	1,518	321	322	338	1,293
Oil	438	1,067	1,054	699	3,646	651	685	716	2,751
Other	(101)	(267)	(265)	(186)	(932)	(228)	(236)	(247)	(897)
Total	507	1,252	1,180	826	4,233	744	771	806	3,148
Expense	152	250	225	207	974	186	193	202	787
Ebitda (\$mm)	355	1,002	955	620	3,259	558	578	605	2,361
Deprec., Deplet., & Amort.	221	394	404	404	1,598	404	404	404	1,616
Hedging and other	(29)	560	254		1,024				-
Ebit	163	48	297	216	637	154	174	201	745
Interest	25	48	51	51	202	51	51	51	204
Ebt	138	-	246	165	435	103	123	150	541
Income Tax					(55)				-
Net Income (\$mm)	138	-	246	165	490	103	123	150	541
Shares (millions)	243	380	390	390	385	390	390	390	390
Per share (\$)	0.57	-	0.63	0.42	1.27	0.26	0.32	0.38	1.39
Ebitda Margin - O&G	70%	80%	81%	75%	77%	75%	75%	75%	75%
Tax Rate	0%			0%	-13%	0%	0%	0%	0%
Distribution (\$mm)	-	388	398	398	1,571	398	398	398	1,591
Per share (\$)		1.02	1.02	1.02	4.08	1.02	1.02	1.02	4.08



Independent Stock Idea

November 12, 2008

Penn West Energy Trust					
Functional Cash Flow and Present Value					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
North American Natural Gas	630	6.2	6.3	4,000	28%
Oil	1,330	8.9	7.8	10,400	72%
	1,960	7.7	7.3	14,400	100%
Debt (US\$mm)					3,900
Net Present Value (US\$mm)					10,500
Shares (mm)					390
Net Present Value - Standard Estimate (US\$/sh)					27
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					25





Independent Stock Idea

November 12, 2008

Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

McDep does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

Certification: I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

Research Methodology/Ratings Description: McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the thirty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.