

Rating: Buy
S&P 500: 1294

Penn West Energy Trust Drilling and CO2 Upside

<i>Symbol</i>	PWTF	<i>Ebitda Next Twelve Months ending 3/31/07 (US\$mm)</i>	1,000
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	42
<i>Price (US\$/un)</i>	34.51	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	2/27/06	<i>Adjusted Reserves/Production NTM</i>	7.7
<i>Units (mm)</i>	165	<i>EV/Ebitda</i>	6.5
<i>Market Capitalization (US\$mm)</i>	5,700	<i>PV/Ebitda</i>	6.2
<i>Debt (US\$mm)</i>	800	<i>Undeveloped Reserves (%)</i>	12
<i>Enterprise Value (EV) (US\$mm)</i>	6,500	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	28.36
<i>Present Value (PV) (US\$mm)</i>	6,200	<i>Present Value Proven Reserves(US\$/boe)</i>	21.37
<i>Net Present Value (US\$/unit)</i>	33	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.56
<i>Debt/Present Value</i>	0.12	<i>Earnings Next Twelve Months (US\$/un)</i>	3.59
<i>McDep Ratio - EV/PV</i>	1.04	<i>Price/Earnings Next Twelve Months</i>	10
<i>Distribution Yield (%/year)</i>	10.4	<i>Indicated Annual Distribution (US\$/un)</i>	3.58

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.

Summary and Recommendation

Final 2005 results disclosed a few hours ago support our continuing buy recommendation of **Penn West Energy Trust (PWT)** for a high rate of cash distribution currently more than 10% a year. Estimated present value of US\$33 a unit includes moderate recognition of drilling by others on trust properties and a long-term carbon dioxide enhanced recovery project. As progress unfolds on that potential, which does not contribute to cash flow currently, unlevered cash flow multiple may increase toward the higher levels exhibited by high quality U.S. royalty trusts. The units ought to be particularly appealing to U.S. investors should the trust continue with its plans to list its units for more widespread trading in the U.S.

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	420	5.4	5.5	2,300	37%
Oil	580	9.7	6.7	3,900	63%
	1,000	7.7	6.2	6,200	100%
Debt (US\$mm)				800	
Net Present Value (US\$mm)				5,400	
Shares (mm)				165	
Net Present Value - Standard Estimate (US\$/sh)				33	
Net Present Value - Approximation by Correlation (US\$/sh)				27	

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Penn West Energy Trust
Next Twelve Months Operating and Financial Estimates
(Canadian dollars)

	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Next Twelve Months</i>
	<i>9/30/05</i>	<i>12/31/05</i>	<i>2005</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006E</i>	<i>3/31/07</i>	<i>3/31/07</i>
Volume										
Natural Gas (mmcf)	289	278	288	265	265	265	265	265	265	265
Oil (mbd)	52	52	52	52	52	52	52	52	52	52
Total gas & oil (bcf)	55	54	219	52	52	53	53	211	52	211
Price										
Natural gas (\$/mcf)										
Henry Hub (US\$/mmbtu)	8.56	13.00	8.65	9.08	7.70	8.05	9.22	8.51	10.80	8.94
Company (C\$/mcf)	8.88	11.66	8.67	8.14	6.90	7.22	8.27	7.63	9.69	8.02
Oil (\$/bbl)										
WTI Cushing (US\$)	62.52	60.02	56.31	62.50	61.89	64.39	65.59	63.59	66.31	64.55
Company (C\$/bbl)	62.92	53.71	52.87	55.93	54.46	56.67	57.72	56.20	58.36	56.80
Total gas & oil (\$/mcf)	9.71	10.23	7.12	8.78	8.08	8.42	9.00	6.98	9.71	7.17
Revenue (\$mm)										
Natural Gas	236	298	914	196	166	176	202	740	234	777
Oil	299	257	1,003	264	257	271	276	1,069	276	1,080
Other	(95)	(114)	(356)	(86)	(79)	(83)	(89)	(336)	(95)	(345)
Total	440	441	1,561	375	345	364	389	1,473	415	1,513
Expense										
Production	89	91	350	83	80	82	85	330	88	335
Overhead	5	10	45	10	10	10	10	40	10	40
Ebitda (\$mm)	346	340	1,166	282	255	272	294	1,103	317	1,138
Deprec., Deplet., & Amort.	109	115	438	105	105	106	106	422	105	422
Hedging and other	(6)	23	91	3	3	3	3	12	3	12
Ebit	243	202	637	174	147	163	185	669	209	704
Interest	7	7	24	7	7	7	7	28	7	28
Ebt	237	195	614	167	140	156	178	641	202	676
Income Tax	35	(46)	(11)	-	-	-	-	-	-	-
Net Income (\$mm)	202	241	625	167	140	156	178	641	202	676
Shares (millions)										
Per share (\$)	1.18	1.46	3.73	1.01	0.85	0.94	1.08	3.88	1.22	4.09
Ebitda Margin - O&G	82%	82%	79%	80%	79%	79%	80%	80%	81%	80%
Tax Rate	15%	-24%	-2%	0%	0%	0%	0%	0%	0%	0%

Kurt H. Wulff, CFA

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