

Rating: Buy
S&P 500: 1286

Penn West Energy Trust To Buy Petrofund

<i>Symbol</i>	PWTFF	<i>Ebitda Next Twelve Months ending 3/31/07 (US\$m)</i>	1,510
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	41
<i>Price (US\$/un)</i>	37.57	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	4/17/06	<i>Adjusted Reserves/Production NTM</i>	7.9
<i>Units (mm)</i>	230	<i>EV/Ebitda</i>	6.6
<i>Market Capitalization (US\$m)</i>	8,600	<i>PV/Ebitda</i>	5.9
<i>Debt (US\$m)</i>	1,300	<i>Undeveloped Reserves (%)</i>	13
<i>Enterprise Value (EV) (US\$m)</i>	9,900	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	30.46
<i>Present Value (PV) (US\$m)</i>	8,900	<i>Present Value Proven Reserves(US\$/boe)</i>	21.40
<i>Net Present Value (US\$/unit)</i>	33	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.57
<i>Debt/Present Value</i>	0.15	<i>Earnings Next Twelve Months (US\$/un)</i>	4.14
<i>McDep Ratio - EV/PV</i>	1.12	<i>Price/Earnings Next Twelve Months</i>	9
<i>Distribution Yield (%/year)</i>	9.5	<i>Indicated Annual Distribution (US\$/un)</i>	3.55

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

The intended acquisition of Petrofund (PTF) accelerates the timing of a U.S. stock exchange listing for buy recommended **Penn West Energy Trust (PWTFF)** by perhaps six months. With PTF already trading on the American Stock Exchange, Penn West promises that its stock will trade on the New York Stock Exchange upon closing of the transaction expected at mid year. Estimated present value is unchanged at US\$33 a share while total present value increases 44% to US\$8.9 billion from US\$6.2 in our first quantification of the combined entities. Though stock prices are generally above present value for buy recommended Canadian and income stocks, six-year oil is quoted near \$70 a barrel compared to \$50 assumed for present value estimates. Meanwhile, the Petrofund assets include a share of a pioneering enhanced recovery project in the Weyburn field in Western Canada that is partly a model for the larger project Penn West contemplates for the Pembina field. Finally, non-Canadian ownership increasing to 52% is no longer considered a problem since the change of political power after the recent national elections in Canada. Chief executive Bill Andrew says, "A multi-billion dollar entity like Penn West needs access to the global capital markets."

Kurt H. Wulff, CFA

Historical independent energy investment analysis by Kurt Wulff doing business as McDep Associates is posted at www.mcdep.com. Analyses are prepared from sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Mr. Wulff is not paid by covered companies. Neither he nor his spouse trade a subject stock within a week before or after a change in rating.

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	620	5.8	5.3	3,300	37%
Oil	890	9.8	6.3	5,600	63%
	1,510	7.9	5.9	8,900	100%
Debt (US\$mm)					1,300
Net Present Value (US\$mm)					7,600
Shares (mm)					230
Net Present Value - Standard Estimate (US\$/sh)					33
Net Present Value - Approximation by Correlation (US\$/sh)					28

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

	<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</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>Twelve</i>
									<i>Months</i>
Volume									
Natural Gas (mmcf)	278	288	265	390	390	390	359	390	390
Oil (mbd)	52	52	52	70	70	70	66	70	70
Total gas & oil (bcf)	54	219	52	74	75	75	275	74	296
Total gas & oil (mbd)	98		96	135	135	135		135	
Price									
Natural gas (\$/mcf)									
Henry Hub (US\$/mmbtu)	13.00	8.65	8.97	7.24	7.77	9.36	8.34	11.21	8.90
Company (C\$/mcf)	11.66	8.67	8.05	6.50	6.97	8.40	7.43	10.05	7.98
Oil (\$/bbl)									
WTI Cushing (US\$)	60.02	56.31	63.33	69.82	72.24	72.85	69.56	72.90	71.95
Company (C\$/bbl)	53.71	52.87	56.68	61.44	63.57	64.11	61.79	64.15	63.32
Total gas & oil (\$/mcf)	10.23	7.12	8.80	8.44	8.85	9.58	7.27	10.38	7.58
Revenue (\$mm)									
Natural Gas	298	914	194	231	250	301	976	357	1,138
Oil	257	1,003	268	391	409	413	1,482	409	1,622
Other	(114)	(356)	(86)	(115)	(122)	(133)	(456)	(142)	(512)
Total	441	1,561	376	506	537	582	2,001	623	2,248
Expense									
Production	91	350	83	110	113	118	425	122	464
Overhead	10	45	10	14	14	14	52	14	56
Ebitda (\$mm)	340	1,166	283	382	410	450	1,524	487	1,729
Deprec., Deplet., & Amort.	115	438	105	147	149	149	550	147	593
Hedging and other	23	91	3	-	-	-	3	-	-
Ebit	202	637	175	235	261	300	971	340	1,136
Interest	7	24	7	11	11	11	40	11	44
Ebt	195	614	168	224	250	289	931	329	1,092
Income Tax	(46)	(11)	-	-	-	-	-	-	-
Net Income (\$mm)	241	625	168	224	250	289	931	329	1,092
Shares (millions)	165	168	165	230	230	230	214	230	230
Per share (\$)	1.46	3.73	1.02	0.98	1.09	1.26	4.34	1.43	4.76
Ebitda Margin - O&G	82%	79%	80%	80%	81%	82%	81%	82%	81%
Tax Rate	-24%	-2%	0%	0%	0%	0%	0%	0%	0%

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