

Rating: Buy
S&P 500: 1509

Penn West Energy Trust **Committed to Income Distributions**

<i>Symbol</i>	PWE	<i>Ebitda Next Twelve Months ending 3/31/08 (US\$mm)</i>	1,350
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	43
<i>Price (US\$/un)</i>	32.11	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	5/7/07	<i>Adjusted Reserves/Production NTM</i>	7.6
<i>Units (mm)</i>	240	<i>EV/Ebitda</i>	6.9
<i>Market Capitalization (US\$mm)</i>	7,700	<i>PV/Ebitda</i>	7.6
<i>Debt (US\$mm)</i>	1,700	<i>Undeveloped Reserves (%)</i>	12
<i>Enterprise Value (EV) (US\$mm)</i>	9,400	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	28.72
<i>Present Value (PV) (US\$mm)</i>	10,300	<i>Present Value Proven Reserves(US\$/boe)</i>	27.20
<i>Net Present Value (US\$/unit)</i>	36	<i>Present Value Proven Reserves(US\$/mcf)</i>	4.53
<i>Debt/Present Value</i>	0.16	<i>Earnings Next Twelve Months (US\$/un)</i>	2.21
<i>McDep Ratio - EV/PV</i>	0.91	<i>Price/Earnings Next Twelve Months</i>	15
<i>Distribution Yield (%/year)</i>	11.5	<i>Indicated Annual Distribution (US\$/un)</i>	3.70

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\$60 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

Chairman Bill Andrew of buy-recommended **Penn West Energy Trust (PWE)** is practically unequivocal in his determination to distribute high cash payments to unit holders for years to come. Committed to the income model, Mr. Andrew told investors and analysts on the quarterly earnings call on May 7, Penn West would have perhaps three additional years through 2013 of enough tax shelter to minimize Canada's double tax on trusts should it be enacted for 2011. Meanwhile current cash flow generation benefits from higher relative price for Canadian oil and supports our estimate of Net Present Value (NPV) of US\$36 a unit. Counterbalancing the highest income payments of any of our recommended stocks, PWE has about US\$7 a unit, or US\$1.7 billion in future potential not contributing to current cash flow. There may be a billion dollars of present value in PWE's Peace River resources considering that Statoil (STO), recently cheated by Venezuela, is paying \$2 billion for oil sands leases in Canada similarly prospective. There may be another billion dollars of present value in light oil to be recovered with carbon dioxide as we estimated in our first analysis of Penn West in 2005. High current income along with future potential encourage us to carry PWE at one and a half times a full unlevered weighting in our illustrative energy portfolio concentrated on real assets that promise a high return providing clean fuel for global growth.

Kurt H. Wulff, CFA

Please see disclosures on the final page.

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

	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Next</i>
	<i>3/31/06</i>	<i>12/31/06</i>	<i>2006</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007E</i>	<i>Twelve</i>
									<i>Months</i>
									<i>3/31/08</i>
Volume									
Natural Gas (mmcf)	267	355	312	340	340	340	340	340	340
Oil (mbd)	52	71	60	72	72	72	72	72	72
Total gas & oil (bcf)	53	72	247	70	70	71	71	282	282
Total gas & oil (mbd)	97	130	112	128	128	128	128	128	128
Price									
Natural gas (\$/mcf)									
Henry Hub (US\$/mmbtu)	8.97	6.57	7.23	6.81	7.62	8.04	8.90	7.84	8.60
Currency (US\$/C\$)	0.87	0.88	0.88	0.85	0.91	0.91	0.91	0.90	0.91
Henry Hub (C\$/mmbtu)	10.31	7.48	8.20	7.97	8.40	8.86	9.80	8.76	9.47
Company (C\$/mcf)	8.12	6.41	6.59	7.59	7.99	8.43	9.33	8.34	9.01
Oil (\$/bbl)									
WTI Cushing (US\$)	63.33	59.99	66.05	58.08	62.29	64.45	66.72	62.88	65.39
WTI Cushing (C\$/bbl)	72.79	68.32	74.90	68.01	68.64	71.01	73.51	70.23	72.04
Company (C\$/bbl)	49.23	51.10	57.34	53.67	54.17	56.04	58.02	55.48	56.86
Total gas & oil (\$/mcf)	8.17	7.56	7.02	8.35	8.57	8.94	9.52	7.17	7.52
Revenue (\$mm)									
Natural Gas	197	209	753	235	248	264	292	1,039	1,123
Oil	234	333	1,265	350	354	370	383	1,456	1,492
Other	(79)	(68)	(286)	(111)	(114)	(120)	(128)	(473)	(495)
Total	353	474	1,732	475	487	514	547	2,023	2,120
Expense (\$mm)									
Production	92	133	451	130	132	138	145	545	564
Overhead	10	14	44	17	17	17	17	68	68
Ebitda (\$mm)	251	327	1,238	328	338	359	386	1,410	1,488
Deprec., Deplet., & Amort.	113	215	656	209	210	213	213	845	846
Hedging and other	(7)	(29)	(37)	48				48	-
Ebit	144	141	619	71	127	146	173	517	642
Interest	6	18	49	16	16	14	14	60	58
Ebt	138	123	570	55	111	132	159	457	584
Income Tax	(6)	18	39	(41)				(41)	-
Net Income (\$mm)	144	105	531	96	111	132	159	498	584
Shares (millions)									
Per share (\$)	0.87	0.44	2.71	0.40	0.46	0.55	0.66	2.08	2.43
Ebitda Margin - O&G	76%	73%	75%	75%	75%	76%	76%	75%	76%
Tax Rate	-4%	15%	7%	-75%	0%	0%	0%	-9%	0%

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Functional Cash Flow and Present Value

	<i>NTM Ebitda</i> <i>(US\$mm)</i>	<i>Adjusted</i> <i>R/P</i>	<i>PV/</i> <i>Ebitda</i>	<i>Present</i> <i>Value</i> <i>(US\$mm)</i>	
North American Natural Gas	580	5.9	5.7	3,300	32%
Oil	770	8.9	9.1	7,000	68%
	1,350	7.6	7.6	10,300	100%
Debt (US\$mm)					1,700
Net Present Value (US\$mm)					8,600
Shares (mm)					240
Net Present Value - Standard Estimate (US\$/sh)					36
Net Present Value - Approximation by Correlation (US\$/sh)					29

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