

Rating: Buy  
S&P 500: 1475

## Penn West Energy Trust Light Oil Consolidator

<i>Symbol</i>	PWE	<i>Ebitda Next Twelve Months ending 9/30/08 (US\$mm)</i>	1,650
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	30
<i>Price (US\$/un)</i>	29.86	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	11/8/07	<i>Adjusted Reserves/Production NTM</i>	7.8
<i>Units (mm)</i>	243	<i>EV/Ebitda</i>	5.9
<i>Market Capitalization (US\$mm)</i>	7,200	<i>PV/Ebitda</i>	6.5
<i>Debt (US\$mm)</i>	2,500	<i>Undeveloped Reserves (%)</i>	12
<i>Enterprise Value (EV) (US\$mm)</i>	9,700	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	35.87
<i>Present Value (PV) (US\$mm)</i>	10,700	<i>Present Value Proven Reserves(US\$/boe)</i>	28.25
<i>Net Present Value (US\$/unit)</i>	34	<i>Present Value Proven Reserves(US\$/mcfe)</i>	4.71
<i>Debt/Present Value</i>	0.23	<i>Earnings Next Twelve Months (US\$/un)</i>	2.70
<i>McDep Ratio - EV/PV</i>	0.91	<i>Price/Earnings Next Twelve Months</i>	11
<i>Distribution Yield (%/year)</i>	14.8	<i>Indicated Annual Distribution (US\$/un)</i>	4.41

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\$66 a barrel and natural gas, \$11 a million btu.

For historical analysis of PWE since 2005 see [www.mcdep.com/5pwt.htm](http://www.mcdep.com/5pwt.htm)

### Summary and Recommendation

**Penn West Energy Trust (PWE)** is our buy recommendation for high current income with an indicated distribution yield near 15% for the year ahead. Third quarter results reported late last night supported distributions of about C\$247 million with unlevered cash flow (Ebitda) of C\$355 million (see table Next Twelve Months Operating and Financial Estimates). Our estimate of net present value (NPV), adjusted to \$34 a unit from \$36 for the latest acquisition, has become almost entirely justified by projected cash flow for the next twelve months capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) (see table Functional Cash Flow and Present Value). Large acquisitions have diluted the upside in high potential projects in carbon dioxide enhanced oil recovery and Peace River oil sands. A strong position as a leading producer of highly valued light oil in Canada helps the trust acquire smaller trusts on reasonable terms. Strengthening the outlook for income distributions, six-year oil futures may be on trend to another double as was the case from the end of 2004 to mid 2006, subject to short declines from time to time (see chart Six-Year Commodity Price Meter).

Kurt H. Wulff, CFA

Please see disclosures on the final page.

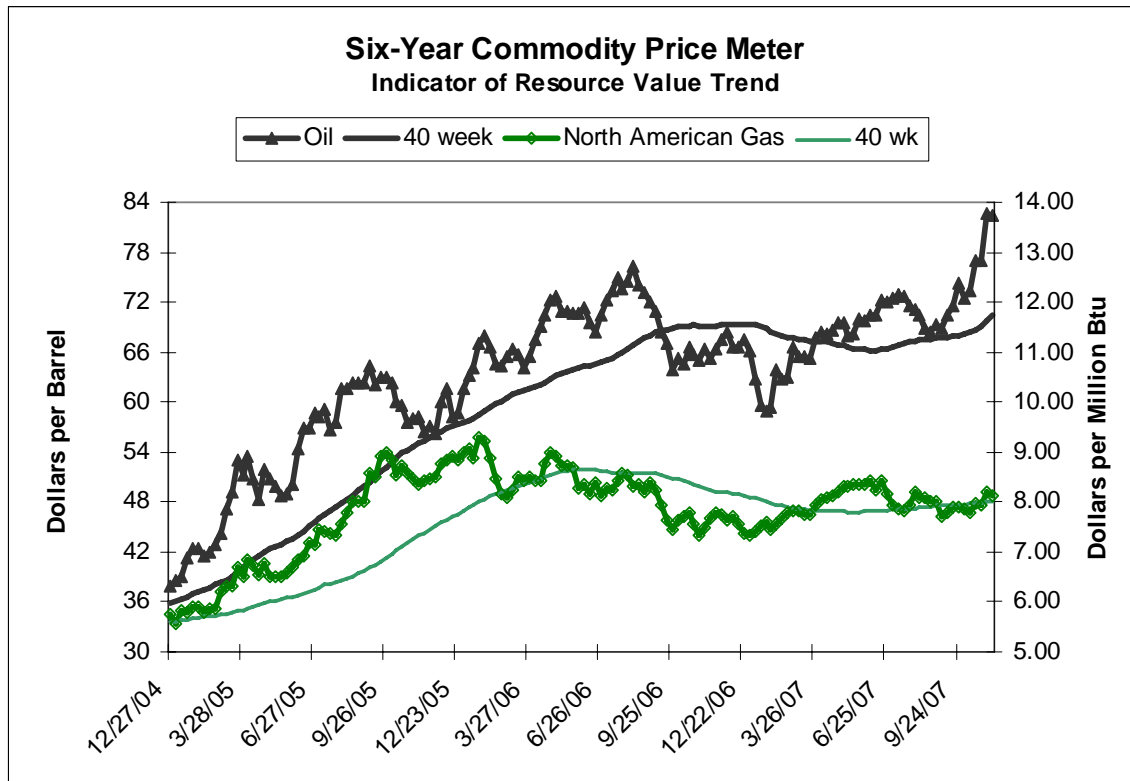
**Penn West Energy Trust**  
**Next Twelve Months Operating and Financial Estimates**  
(Canadian dollars)

	<i>Q3</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Next Twelve Months</i>
	<i>9/30/06</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007E</i>	<i>3/31/08</i>	<i>6/30/08</i>	<i>9/30/08</i>	<i>9/30/08</i>
<b>Volume</b>									
Natural Gas (mmcf)	359	334	315	315	<b>326</b>	315	315	315	<b>315</b>
Days	92	91	92	92	<b>365</b>	91	91	92	<b>366</b>
Oil (mbd)	69	71	73	73	<b>72</b>	73	73	73	<b>73</b>
Total gas & oil (bcf)	71	69	69	69	<b>277</b>	68	68	69	<b>275</b>
Total gas & oil (mbd)	129	127	125	125	<b>126</b>	125	125	125	<b>125</b>
<b>Price</b>									
Natural gas (\$/mcf)									
Henry Hub (US\$/mmbtu)	6.58	7.56	6.16	7.24	<b>6.94</b>	8.38	7.97	8.15	<b>7.93</b>
Currency (US\$/C\$)	0.89	0.91	0.96	1.08	<b>0.94</b>	1.08	1.08	1.08	<b>1.08</b>
Henry Hub (C\$/mmbtu)	7.38	8.29	6.44	6.69	<b>7.35</b>	7.74	7.37	7.53	<b>7.33</b>
Company (C\$/mcf)	5.97	7.65	5.86	6.09	<b>6.82</b>	7.04	6.70	6.85	<b>6.67</b>
Oil (\$/bbl)									
WTI Cushing (US\$)	70.42	64.91	75.48	91.29	<b>72.44</b>	92.23	89.70	87.47	<b>90.17</b>
WTI Cushing (C\$/bbl)	78.95	71.25	78.95	84.36	<b>76.71</b>	85.23	82.89	80.83	<b>83.33</b>
Company (C\$/bbl)	64.73	58.40	65.43	69.91	<b>61.96</b>	70.64	68.70	66.99	<b>69.06</b>
Total gas & oil (\$/mcf)	8.55	8.82	8.79	9.32	<b>7.27</b>	9.79	9.46	9.36	<b>7.84</b>
<b>Revenue (\$mm)</b>									
Natural Gas	197	233	170	177	<b>812</b>	202	192	199	<b>770</b>
Oil	412	377	438	468	<b>1,630</b>	468	455	449	<b>1,840</b>
Other	(78)	(114)	(101)	(107)	<b>(427)</b>	(117)	(113)	(113)	<b>(451)</b>
Total	531	495	507	537	<b>2,014</b>	553	534	534	<b>2,158</b>
<b>Expense</b>									
Production	134	133	136	142	<b>541</b>	146	143	143	<b>574</b>
Overhead	10	16	16	16	<b>65</b>	16	16	16	<b>64</b>
<b>Ebitda (\$mm)</b>	387	346	355	379	<b>1,408</b>	390	375	375	<b>1,521</b>
Deprec., Deplet., & Amort.	218	218	221	208	<b>856</b>	205	205	208	<b>826</b>
Hedging and other	(28)	(36)	(29)		<b>(18)</b>				<b>-</b>
<b>Ebit</b>	197	164	163	172	<b>570</b>	185	170	168	<b>695</b>
Interest	17	24	25	25	<b>90</b>	25	25	14	<b>89</b>
<b>Ebt</b>	180	140	138	147	<b>480</b>	160	145	154	<b>606</b>
Income Tax	25				<b>(41)</b>				<b>-</b>
<b>Net Income (\$mm)</b>	155	140	138	147	<b>521</b>	160	145	154	<b>606</b>
<b>Shares (millions)</b>	239	242	243	243	<b>242</b>	243	243	243	<b>243</b>
Per share (\$)	0.65	0.58	0.57	0.60	<b>2.15</b>	0.66	0.60	0.63	<b>2.50</b>
Ebitda Margin - O&G	76%	76%	75%	75%	<b>75%</b>	76%	76%	75%	<b>76%</b>
Tax Rate	14%	0%	0%	0%	<b>-9%</b>	0%	0%	0%	<b>0%</b>

**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	490	6.4	6.7	3,300	31%
Oil	1,160	8.8	6.4	7,400	69%
	1,650	7.8	6.5	10,700	100%
Debt (US\$mm)					2,500
Net Present Value (US\$mm)					8,200
Shares (mm)					243
Net Present Value - Standard Estimate (US\$/sh)					34
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					32

**Please see disclosures on the final page.**



**Disclaimer:** This analysis was prepared by Kurt Wulff doing business as McDep Associates. 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 Associates 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.

**Please see disclosures on the final page.**