

Rating: Buy
S&P 500: 1323

Penn West Energy Trust **Sleeping Seal**

<i>Symbol</i>	PWTFF	<i>Ebitda Next Twelve Months ending 3/31/07 (US\$mm)</i>	1,580
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	41
<i>Price (US\$/un)</i>	41.45	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	5/9/06	<i>Adjusted Reserves/Production NTM</i>	7.9
<i>Units (mm)</i>	230	<i>EV/Ebitda</i>	6.9
<i>Market Capitalization (US\$mm)</i>	9,600	<i>PV/Ebitda</i>	5.7
<i>Debt (US\$mm)</i>	1,300	<i>Undeveloped Reserves (%)</i>	13
<i>Enterprise Value (EV) (US\$mm)</i>	10,900	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	32.01
<i>Present Value (PV) (US\$mm)</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>	4.36
<i>McDep Ratio - EV/PV</i>	1.22	<i>Price/Earnings Next Twelve Months</i>	9
<i>Distribution Yield (%/year)</i>	9.0	<i>Indicated Annual Distribution (US\$/un)</i>	3.71

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

In a deal announced on May 8, buy-recommended **Royal Dutch Shell (RDS-A)** through its Canadian affiliate is paying US\$2.2 billion for BlackRock Ventures whose sole asset is a practically a "layover" on near by properties of buy-recommended **Penn West Energy Trust (PWTFF)**. Responding to our question, Chief Executive Bill Andrew recounted on the quarterly conference call on May 10 how Penn West entered the cold-flow, heavy oil, resource play, called Seal, soon after BlackRock. Penn West's less developed leases make up little of our estimated present value. The "Sleeping Seal" along with the Pembina project to use greenhouse gases to enhance recovery in Canada's largest conventional oil field keep us interested in Penn West stock even though the McDep Ratio has climbed beyond normal buy range. Present value is tied to a long-term oil price of \$50 a barrel that looks low compared to futures prices that average \$72 for the next six years. Having a distribution yield of 9% a year, Penn West units may be well received when trading on the New York Stock Exchange starts before the end of June.

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>(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	650	5.8	5.1	3,300	37%
Oil	930	9.8	6.0	5,600	63%
	1,580	7.9	5.6	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)					29

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

	<i>Q1</i> <i>3/31/05</i>	<i>Q4</i> <i>12/31/05</i>	<i>Q1</i> <i>3/31/06</i>	<i>Q2E</i> <i>6/30/06</i>	<i>Q3E</i> <i>9/30/06</i>	<i>Q4E</i> <i>12/31/06</i>	<i>Year</i> <i>2006E</i>	<i>Next</i> <i>Twelve</i> <i>Months</i> <i>3/31/07</i>
Volume								
Natural Gas (mmcf)	289	278	267	390	390	390	359	390
Oil (mbd)	53	52	52	70	70	70	66	70
Total gas & oil (bcf)	55	54	53	74	75	75	276	296
Total gas & oil (mbd)		98	97	135	135	135		
Price								
Natural gas (\$/mcf)								
Henry Hub (US\$/mmbtu)	6.27	13.00	8.97	7.06	7.24	9.33	8.15	8.74
Company (C\$/mcf)	6.85	11.66	8.12	6.39	6.55	8.44	7.31	7.91
Oil (\$/bbl)								
WTI Cushing (US\$)	49.65	60.02	63.33	69.69	72.19	73.80	69.75	72.48
Company (C\$/bbl)	46.04	53.71	49.23	61.33	63.53	64.94	60.49	63.78
Total gas & oil (\$/mcf)	7.28	10.23	8.17	8.38	8.64	9.68	7.16	7.62
Revenue (\$mm)								
Natural Gas	180	298	197	227	235	303	962	1,129
Oil	223	257	234	391	409	418	1,452	1,634
Other	(73)	(114)	(79)	(113)	(117)	(131)	(440)	(504)
Total	330	441	353	505	527	590	1,974	2,259
Expense								
Production	84	91	92	110	112	119	433	465
Overhead	23	10	10	14	14	14	52	56
Ebitda (\$mm)	223	340	251	381	400	457	1,488	1,738
Deprec., Deplet., & Amort.	107	115	113	147	149	149	559	593
Hedging and other	24	23	(7)	-	-	-	(7)	-
Ebit	92	202	144	233	251	307	937	1,145
Interest	5	7	6	10	10	10	36	40
Ebt	87	195	138	223	241	297	901	1,105
Income Tax		(46)	(6)				(6)	-
Net Income (\$mm)	87	241	144	223	241	297	907	1,105
Shares (millions)	165	165	166	230	230	230	217	230
Per share (\$)	0.53	1.46	0.87	0.97	1.05	1.29	4.18	4.79
Ebitda Margin - O&G	73%	82%	76%	80%	80%	82%	80%	81%

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.