

Rating: Buy  
 S&P 500: 1282  
 Intraday

## Penn West Energy Trust Marketable High Current Income

<i>Symbol</i>	PWE	<i>Ebitda Next Twelve Months ending 6/30/07 (US\$mm)</i>	1,620
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	38
<i>Price (US\$/un)</i>	42.00	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	8/15/06	<i>Adjusted Reserves/Production NTM</i>	8.0
<i>Units (mm)</i>	259	<i>EV/Ebitda</i>	7.6
<i>Market Capitalization (US\$mm)</i>	10,900	<i>PV/Ebitda</i>	7.1
<i>Debt (US\$mm)</i>	1,400	<i>Undeveloped Reserves (%)</i>	13
<i>Enterprise Value (EV) (US\$mm)</i>	12,300	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	33.37
<i>Present Value (PV) (US\$mm)</i>	11,500	<i>Present Value Proven Reserves(US\$/boe)</i>	27.65
<i>Net Present Value (US\$/unit)</i>	39	<i>Present Value Proven Reserves(US\$/mcf)</i>	4.61
<i>Debt/Present Value</i>	0.12	<i>Earnings Next Twelve Months (US\$/un)</i>	3.67
<i>McDep Ratio - EV/PV</i>	1.07	<i>Price/Earnings Next Twelve Months</i>	11
<i>Distribution Yield (%/year)</i>	8.6	<i>Indicated Annual Distribution (US\$/un)</i>	3.62

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

Buy-recommended **Penn West Energy Trust (PWE)** has more market cap than all the U.S. royalty trusts combined in our coverage, trades on the New York Stock Exchange since June 22 and distributes cash at the indicated rate of 9% a year. The stock is priced near estimated present value assuming a long-term oil price of US\$60 a barrel. About \$10 a share of present value represents partial recognition of three promising projects not contributing to current cash flow. Enhanced recovery using greenhouse gas in the giant old Pembina oil field aims to develop incremental net reserves of 150-400 million barrels. In Peace River oil sands management estimates 6.5-7.0 billion barrels in place on about two-thirds of its lands and targets 20 thousand barrels daily of production by 2011. Drilling by others including Apache Corporation (APA) on PWE lands will begin in earnest in the coming winter explained Mr. Bill Andrew on the quarterly conference call on August 15. After about 60% of cash flow is distributed, reinvestment of the remainder is intended to sustain the distribution for a long time.

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

	<i>Q2</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Next Twelve Months</i>
	<i>6/30/05</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>6/30/07</i>	<i>6/30/07</i>
<b>Volume</b>									
Natural Gas (mmcf)	296	267	268	375	375	<b>321</b>	375	375	<b>375</b>
Oil (mbd)	51	52	49	70	70	<b>60</b>	70	70	<b>70</b>
Total gas & oil (bcf)	55	53	51	73	73	<b>250</b>	72	72	<b>291</b>
Total gas & oil (mbd)		97	93	133	133	<b>114</b>	133	133	<b>133</b>
<b>Price</b>									
Natural gas (\$/mcf)									
Henry Hub (US\$/mmbtu)	6.76	8.97	6.81	6.61	8.74	<b>7.78</b>	11.02	8.46	<b>8.71</b>
Company (C\$/mcf)	7.41	8.12	6.14	5.96	7.88	<b>7.01</b>	9.93	7.63	<b>7.85</b>
Oil (\$/bbl)									
WTI Cushing (US\$)	53.05	63.33	70.47	73.82	75.74	<b>70.84</b>	77.28	77.93	<b>76.19</b>
Company (C\$/bbl)	48.81	49.23	64.64	67.71	69.47	<b>63.63</b>	70.88	68.58	<b>69.16</b>
Total gas & oil (\$/mcf)	7.78	8.17	8.55	8.78	9.83	<b>7.60</b>	10.93	9.64	<b>8.38</b>
<b>Revenue (\$mm)</b>									
Natural Gas	200	197	150	206	272	<b>824</b>	339	260	<b>1,077</b>
Oil	225	234	286	436	447	<b>1,403</b>	452	437	<b>1,772</b>
Other	(74)	(79)	(61)	(89)	(100)	<b>(329)</b>	(117)	(103)	<b>(409)</b>
Total	350	353	375	552	619	<b>1,899</b>	674	594	<b>2,440</b>
<b>Expense</b>									
Production	86	92	92	132	140	<b>455</b>	147	138	<b>556</b>
Overhead	7	10	10	15	15	<b>50</b>	15	15	<b>60</b>
<b>Ebitda (\$mm)</b>	257	251	273	406	464	<b>1,394</b>	512	441	<b>1,824</b>
Deprec., Deplet., & Amort.	107	113	110	176	176	<b>574</b>	174	174	<b>698</b>
Hedging and other	51	(7)	27	-	-	<b>20</b>	-	-	<b>-</b>
<b>Ebit</b>	100	144	137	230	289	<b>800</b>	339	268	<b>1,126</b>
Interest	5	6	8	14	14	<b>42</b>	14	14	<b>56</b>
<b>Ebt</b>	95	138	129	216	275	<b>758</b>	325	254	<b>1,070</b>
Income Tax		(6)	3			<b>(4)</b>			<b>-</b>
<b>Net Income (\$mm)</b>	95	144	126	216	275	<b>762</b>	325	254	<b>1,070</b>
<b>Shares (millions)</b>	169	166	169	246	246	<b>211</b>	246	310	<b>259</b>
Per share (\$)	0.56	0.87	0.75	0.88	1.12	<b>3.61</b>	1.32	0.82	<b>4.13</b>
Ebitda Margin - O&G	78%	76%	77%	77%	79%	<b>77%</b>	80%	78%	<b>78%</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	610	6.1	5.4	3,300
Oil	1,010	9.8	8.1	8,200
	1,620	8.0	7.1	11,500
Debt (US\$mm)				1,400
Net Present Value (US\$mm)				10,100
Shares (mm)				259
Net Present Value - Standard Estimate (US\$/sh)				39
Net Present Value - Approximation by Correlation (US\$/sh)				29

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