

Rating: Buy
S&P 500: 1384
Intraday

Penn West Energy Trust Canada's Dastardly Deed

| | | | |
|---------------------------------------|----------|--|-------|
| <i>Symbol</i> | PWE | <i>Ebitda Next Twelve Months ending 9/30/07 (US\$mm)</i> | 1,270 |
| <i>Rating</i> | Buy | <i>North American Natural Gas/Ebitda (%)</i> | 39 |
| <i>Price (US\$/un)</i> | 27.80 | <i>Natural Gas and Oil Production/Ebitda (%)</i> | 100 |
| <i>Pricing Date</i> | 11/14/06 | <i>Adjusted Reserves/Production NTM</i> | 8.2 |
| <i>Units (mm)</i> | 239 | <i>EV/Ebitda</i> | 6.3 |
| <i>Market Capitalization (US\$mm)</i> | 6,600 | <i>PV/Ebitda</i> | 8.4 |
| <i>Debt (US\$mm)</i> | 1,400 | <i>Undeveloped Reserves (%)</i> | 13 |
| <i>Enterprise Value (EV) (US\$mm)</i> | 8,000 | <i>Natural Gas and Oil Ebitda (US\$/boe)</i> | 26.78 |
| <i>Present Value (PV) (US\$mm)</i> | 10,700 | <i>Present Value Proven Reserves(US\$/boe)</i> | 25.72 |
| <i>Net Present Value (US\$/unit)</i> | 39 | <i>Present Value Proven Reserves(US\$/mcf)</i> | 4.29 |
| <i>Debt/Present Value</i> | 0.13 | <i>Earnings Next Twelve Months (US\$/un)</i> | 2.58 |
| <i>McDep Ratio - EV/PV</i> | 0.75 | <i>Price/Earnings Next Twelve Months</i> | 11 |
| <i>Distribution Yield (%/year)</i> | 12.9 | <i>Indicated Annual Distribution (US\$/un)</i> | 3.58 |

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

Down 26% in stock price since October 31, buy-recommended **Penn West Energy Trust (PWE)** at a McDep Ratio of 0.75 offers unlevered appreciation potential of 33% to estimated present value. On Halloween night, the Canadian government announced its intention to apply a 31.5% corporate income tax on trusts beginning in 2011. Despite the tax bomb, our estimate of present value remains the same because it is intentionally independent of corporate and individual tax rates. Reported on November 13, the first quarter of operations including the Petrofund acquisition points to Net Present Value of US\$31 a share from correlating the rate of production relative to reserves with present value as a multiple of cash flow for some thirty natural gas and oil producers (see table [Functional Cash Flow and Present Value](#)). Among sources of additional value beyond the correlation, Peace River oil sands are targeted for more aggressive development while Pembina CO2 enhanced recovery has been set back with lower than expected productivity in a pilot project. Just as Canada has become less attractive to investors qualitatively, PWE has become more attractive quantitatively and we keep our suggested double weighting for the stock 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>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>9/30/05</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>9/30/07</i> | <i>9/30/07</i> |
| Volume | | | | | | | | | |
| Natural Gas (mmcf) | 289 | 268 | 359 | 359 | 313 | 359 | 359 | 375 | 363 |
| Oil (mbd) | 52 | 49 | 69 | 69 | 60 | 69 | 69 | 70 | 69 |
| Total gas & oil (bcf) | 55 | 51 | 71 | 71 | 246 | 70 | 70 | 73 | 285 |
| Total gas & oil (mbd) | 100 | 93 | 129 | 129 | 112 | 129 | 129 | 133 | 130 |
| Price | | | | | | | | | |
| Natural gas (\$/mcf) | | | | | | | | | |
| Henry Hub (US\$/mmbtu) | 8.56 | 6.81 | 6.58 | 6.42 | 7.20 | 8.33 | 7.77 | 7.96 | 7.62 |
| Company (C\$/mcf) | 8.88 | 6.14 | 5.97 | 5.82 | 6.42 | 7.55 | 7.05 | 7.22 | 6.91 |
| Oil (\$/bbl) | | | | | | | | | |
| WTI Cushing (US\$) | 62.52 | 70.47 | 70.42 | 58.78 | 65.75 | 61.89 | 64.36 | 65.69 | 62.68 |
| Company (C\$/bbl) | 62.92 | 64.64 | 64.73 | 54.02 | 58.24 | 56.88 | 56.64 | 57.81 | 56.34 |
| Total gas & oil (\$/mcf) | 9.71 | 8.55 | 8.55 | 7.53 | 7.01 | 8.59 | 8.33 | 8.50 | 7.09 |
| Revenue (\$mm) | | | | | | | | | |
| Natural Gas | 236 | 150 | 197 | 192 | 736 | 247 | 230 | 249 | 918 |
| Oil | 299 | 286 | 412 | 344 | 1,276 | 358 | 357 | 372 | 1,431 |
| Other | (95) | (61) | (78) | (69) | (286) | (86) | (84) | (88) | (327) |
| Total | 440 | 375 | 531 | 467 | 1,726 | 519 | 503 | 533 | 2,023 |
| Expense | | | | | | | | | |
| Production | 89 | 92 | 134 | 126 | 444 | 134 | 132 | 136 | 528 |
| Overhead | 5 | 10 | 10 | 10 | 40 | 10 | 10 | 15 | 45 |
| Ebitda (\$mm) | 346 | 273 | 387 | 331 | 1,242 | 375 | 361 | 382 | 1,450 |
| Deprec., Deplet., & Amort. | 109 | 110 | 218 | 171 | 612 | 169 | 169 | 176 | 685 |
| Hedging and other | (6) | 27 | (28) | | (8) | - | | | - |
| Ebit | 243 | 137 | 197 | 160 | 638 | 206 | 192 | 207 | 765 |
| Interest | 7 | 8 | 17 | 17 | 47 | 17 | 17 | 14 | 64 |
| Ebt | 237 | 129 | 180 | 144 | 591 | 189 | 176 | 193 | 701 |
| Income Tax | 35 | 3 | 25 | | 21 | | | | - |
| Net Income (\$mm) | 202 | 126 | 155 | 144 | 570 | 189 | 176 | 193 | 701 |
| Shares (millions) | 171 | 169 | 239 | 239 | 199 | 239 | 239 | 239 | 239 |
| Per share (\$) | 1.18 | 0.75 | 0.65 | 0.60 | 2.87 | 0.79 | 0.73 | 0.81 | 2.93 |
| Ebitda Margin - O&G | 82% | 77% | 76% | 75% | 76% | 76% | 76% | 76% | 76% |
| Tax Rate | 15% | 2% | 14% | 0% | 4% | 0% | 0% | 0% | 0% |

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 | 500 | 6.3 | 6.6 | 3,300 | 31% |
| Oil | 770 | 9.9 | 9.6 | 7,400 | 69% |
| | 1,270 | 8.2 | 8.4 | 10,700 | 100% |
| Debt (US\$mm) | | | | | 1,400 |
| Net Present Value (US\$mm) | | | | | 9,300 |
| Shares (mm) | | | | | 239 |
| Net Present Value - Standard Estimate (US\$/sh) | | | | | 39 |
| Net Present Value - Approximation by Correlation (US\$/sh) | | | | | 31 |

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