



Penn West Energy Trust Acquisitions Expand Cash Flow in 2008

Symbol	PWE	Ebitda Next Twelve Months ending 12/31/08 (US\$m)	2,620
Rating	Buy	North American Natural Gas/Ebitda (%)	33
Price (US\$/un)	28.07	Natural Gas and Oil Production/Ebitda (%)	100
Pricing Date	2/21/08	Adjusted Reserves/Production NTM	7.3
Units (mm)	373	EV/Ebitda	5.6
Market Capitalization (US\$m)	10,500	PV/Ebitda	6.9
Debt (US\$m)	4,200	Undeveloped Reserves (%)	9
Enterprise Value (EV) (US\$m)	14,700	Natural Gas and Oil Ebitda (US\$/boe)	35.85
Present Value (PV) (US\$m)	18,000	Present Value Proven Reserves(US\$/boe)	32.10
Net Present Value (US\$/unit)	37	Present Value Proven Reserves(US\$/mcfe)	5.35
Debt/Present Value	0.23	Earnings Next Twelve Months (US\$/un)	1.92
McDep Ratio - EV/PV	0.81	Price/Earnings Next Twelve Months	15
Distribution Yield (%/year)	14.4	Indicated Annual Distribution (US\$/un)	4.03
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\$80 a barrel and natural gas, \$11 a million btu.			
For historical analysis of PWE since 2005 see www.mcdep.com/5pwt.htm			

Summary and Recommendation

Buy-recommended **Penn West Energy Trust (PWE)** offers unlevered appreciation potential of 23% to estimated net present value (NPV) of \$37 a unit, concentrated 74% on oil and 26% on natural gas. Fourth quarter results released on February 22 recorded stable oil and natural gas volume to support a 14.4% distribution yield. The recently completed acquisition of Canetic Resources Trust and other assets drive a 56% expansion in production in 2008. We increased NPV from \$34 a unit on December 18 when we increased long-term oil price for calculating present value to \$80 from \$66 a barrel. Projected volumes along with current futures prices promise a high level of unlevered cash flow (Ebitda) (see table [Next Twelve Months Operating and Financial Estimates](#)). NPV is mostly supported by projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) (see table [Functional Cash Flow and Present Value](#)). In addition to proven reserves, Penn West is developing large resources in the Peace River Oil Sands and in CO2 Enhanced Oil Recovery. As it should, oil price has increased to offset the Canadian Federal and Alberta Provincial tax disincentives and now we are hopeful that natural gas price will increase to offset oppressive Alberta royalties.

Weekly Analysis of Income Stocks

Among other recent developments for income stocks, six U.S. royalty trusts declared monthly distributions in the past few days that extend a new rising trend (see charts on pages 4 and 5). The pattern for oil-oriented **Permian Basin Royalty Trust (PBT)** looks like a rocket shot!

Kurt H. Wulff, CFA

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Penn West Energy Trust									
Next Twelve Months Operating and Financial Estimates									
(Canadian dollars)									
	Q4	Q3	Q4	Year	Q1E	Q2E	Q3E	Q4E	Next Twelve Months
	12/31/06	9/30/07	12/31/07	2007	3/31/08	6/30/08	9/30/08	12/31/08	12/31/08
Volume									
Natural Gas (mmcf)	355	315	328	329	515	515	515	515	515
Days	92	92	92	365	91	91	92	92	366
Oil (mbd)	71	73	73	72	114	114	114	114	114
Total gas & oil (bcf)	72	69	71	278	109	109	110	110	439
Total gas & oil (mbd)	130	125	128	127	200	200	200	200	200
Price									
Natural gas (\$/mcf)									
Henry Hub (US\$/mmbtu)	6.57	6.16	6.97	6.87	7.97	8.81	8.95	9.40	8.78
Currency (US\$/C\$)	0.88	0.96	1.02	0.93	0.99	0.99	0.99	0.99	0.99
Henry Hub (C\$/mmbtu)	7.48	6.44	6.84	7.39	8.07	8.92	9.07	9.52	8.89
Company (C\$/mcf)	6.97	5.86	6.22	6.84	7.34	8.11	8.25	8.67	8.10
Oil (\$/bbl)									
WTI Cushing (US\$)	59.99	75.48	90.67	72.28	94.86	95.63	94.63	93.60	94.68
WTI Cushing (C\$/bbl)	68.32	78.95	88.91	77.67	96.07	96.85	95.84	94.79	95.89
Company (C\$/bbl)	51.10	65.43	68.40	61.59	73.91	74.51	73.73	72.92	73.76
Total gas & oil (\$/mcf)	7.81	8.79	9.19	7.24	10.18	10.57	10.55	10.66	8.64
Revenue (\$mm)									
Natural Gas	228	170	188	823	344	380	391	411	1,526
Oil	333	438	461	1,623	767	773	773	765	3,078
Other	(114)	(101)	(110)	(430)	(195)	(203)	(205)	(207)	(810)
Total	447	507	539	2,016	915	950	959	969	3,794
Expense (\$mm)									
	147	152	158	606	275	285	288	291	1,138
Ebitda (\$mm)									
	300	355	381	1,410	641	665	672	678	2,656
Deprec., Deplet., & Amort.	215	221	242	890	382	382	386	386	1,536
Hedging and other	(56)	(29)	(13)	(31)	54	57	54	50	215
Ebit									
	141	163	153	551	205	226	232	242	905
Interest	18	25	27	92	45	45	45	45	180
Ebt									
	123	138	126	459	160	181	187	197	725
Income Tax	18			(41)					-
Net Income (\$mm)									
	105	138	126	500	160	181	187	197	725
Shares (millions)									
	240	243	242	241	373	373	373	373	373
Per share (\$)	0.44	0.57	0.52	2.07	0.43	0.49	0.50	0.53	1.95
Ebitda Margin - O&G	67%	70%	71%	70%	70%	70%	70%	70%	70%

Functional Cash Flow and Present Value					
	NTM Ebitda	Adjusted	PV/	Present	
	(US\$mm)	R/P	Ebitda	Value	
				(US\$mm)	
North American Natural Gas	870	6.0	5.4	4,700	26%
Oil	1,750	8.3	7.6	13,300	74%
	2,620	7.3	6.9	18,000	100%
Debt (US\$mm)					4,200
Net Present Value (US\$mm)					13,800
Shares (mm)					373
Net Present Value - Standard Estimate (US\$/sh)					37
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					31

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Natural Gas and Oil Income Stocks - Rank by McDep Ratio								
			Price (\$/sh)	Shares	Market Cap (\$mm)	Net Present Value (\$/un)	Debt/ Present Value	McDep Ratio
	Symbol/ Rating		21-Feb 2008	(mm)				
U.S. Royalty Trusts								
Permian Basin RT	PBT		18.76	46.6	870	18.00	-	1.04
Cross Timbers Royalty Trust	CRT		47.99	6.0	290	47.00	-	1.02
Mesa RoyaltyTrust	MTR		69.70	1.9	130	70.00	-	1.00
Sabine Royalty Trust	SBR		47.08	14.6	690	48.00	-	0.98
San Juan Basin Royalty Trust	SJT	B	37.52	46.6	1,750	40.00	-	0.94
Hugoton RoyaltyTrust	HGT	B	26.75	40.0	1,070	34.00	-	0.79
<i>Total or Median</i>					4,800			0.99
Canadian Income Trusts (US\$)								
Pengrowth Energy Trust	PGH		18.32	247.0	4,530	19.00	0.25	0.97
Canadian Oil Sands Trust	COSWF	B	38.08	479.0	18,240	45.00	0.05	0.85
Penn West Energy Trust	PWE	B	28.07	280.0	7,860	37.00	0.29	0.83
Enerplus Resources Fund	ERF		41.58	129.4	5,380	52.00	0.13	0.83
<i>Total or Median</i>					36,000		0.19	0.84
U.S. Master Limited Partnerships (MLPs)								
Kinder Morgan Energy Partners, L.P.	KMP	S	58.58	179.4	10,510	17.00	0.56	2.08
Encore Energy Partners, L.P. (32%)	ENP		20.39	10.2	210	20.00	0.24	1.02
Linn Energy, LLC	LINE		21.95	114.0	2,500	27.00	0.30	0.87
Dorchester Minerals, L.P.	DMLP		20.66	28.2	580	27.00	-	0.76
<i>Total or Median</i>					13,800		0.27	0.94
B = Buy, S = Sell								
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses								

Natural Gas and Oil Income Stocks - Rank by EV/Ebitda								
			Price (\$/sh)	Adjstd Resrvs/ Prod	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
	Symbol/ Rating		21-Feb 2008	NTM	NTM	NTM	NTM	
U.S. Royalty Trusts								
Cross Timbers Royalty Trust	CRT		47.99	13.1	10.4	10.6	11.3	8.9
San Juan Basin Royalty Trust	SJT	B	37.52	10.6	11.2	10.5	12.7	7.9
Mesa RoyaltyTrust	MTR		69.70	21.1	9.5	9.5	10.8	9.2
Sabine Royalty Trust	SBR		47.08	9.2	9.4	9.2	9.2	10.8
Permian Basin RT	PBT		18.76	8.2	8.5	8.9	9.9	10.1
Hugoton RoyaltyTrust	HGT	B	26.75	13.5	9.9	7.8	10.8	9.3
<i>Median</i>				11.8	9.7	9.4	10.8	9.3
Canadian Income Trusts (US\$)								
Canadian Oil Sands Trust	COSWF	B	38.08	23.2	10.1	8.6	10.5	8.6
Pengrowth Energy Trust	PGH		18.32	7.4	6.3	6.2	14.1	14.6
Enerplus Resources Fund	ERF		41.58	9.7	7.2	6.0	9.2	12.0
Penn West Energy Trust	PWE	B	28.07	7.4	5.6	4.6	11.6	14.4
<i>Median</i>				8.6	6.8	6.1	11.1	13.2
U.S. Master Limited Partnerships (MLPs)								
Kinder Morgan Energy Partners, L.P.	KMP	S	58.58	7.9	7.8	16.3	30.3	6.3
Linn Energy, LLC	LINE		21.95	20.8	12.1	10.5	21.3	11.5
Encore Energy Partners, L.P.	ENP		20.39	12.4	8.6	8.7	(25.9)	7.6
Dorchester Minerals, L.P.	DMLP		20.66	9.2	10.5	8.1	11.6	12.4
<i>Median</i>				10.8	9.6	9.6	16.4	9.5
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended December 31, 2008; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses								

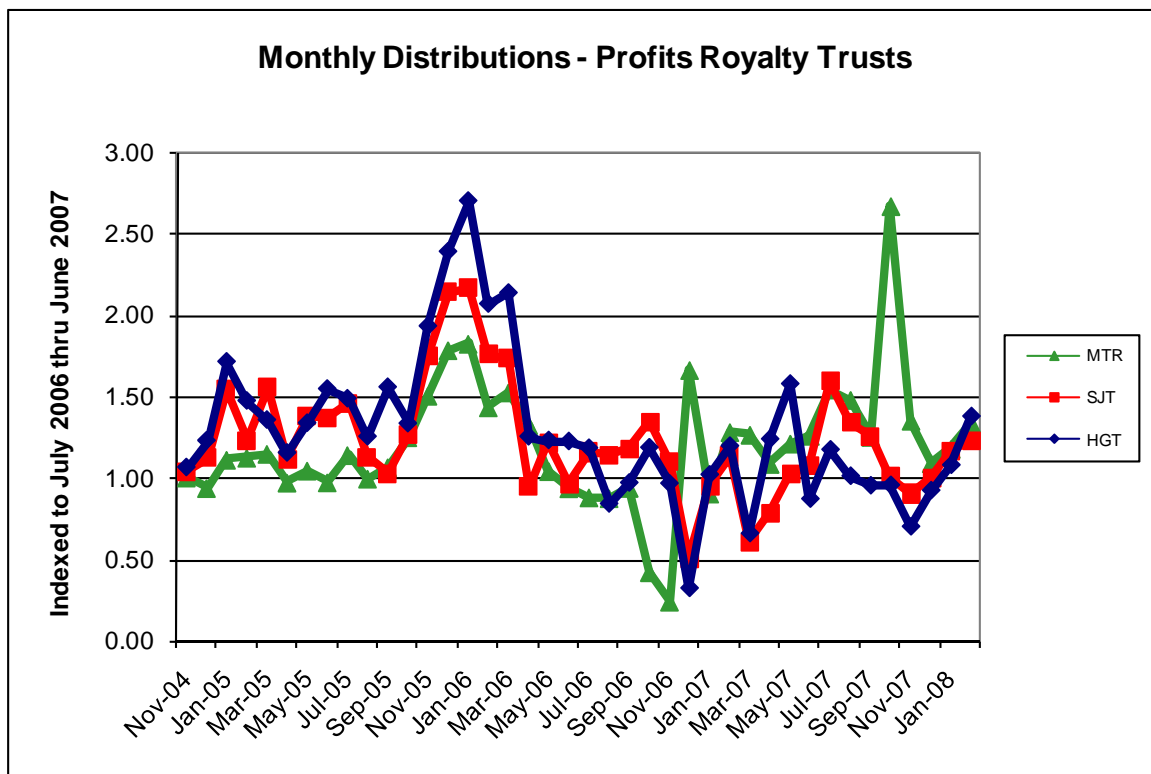
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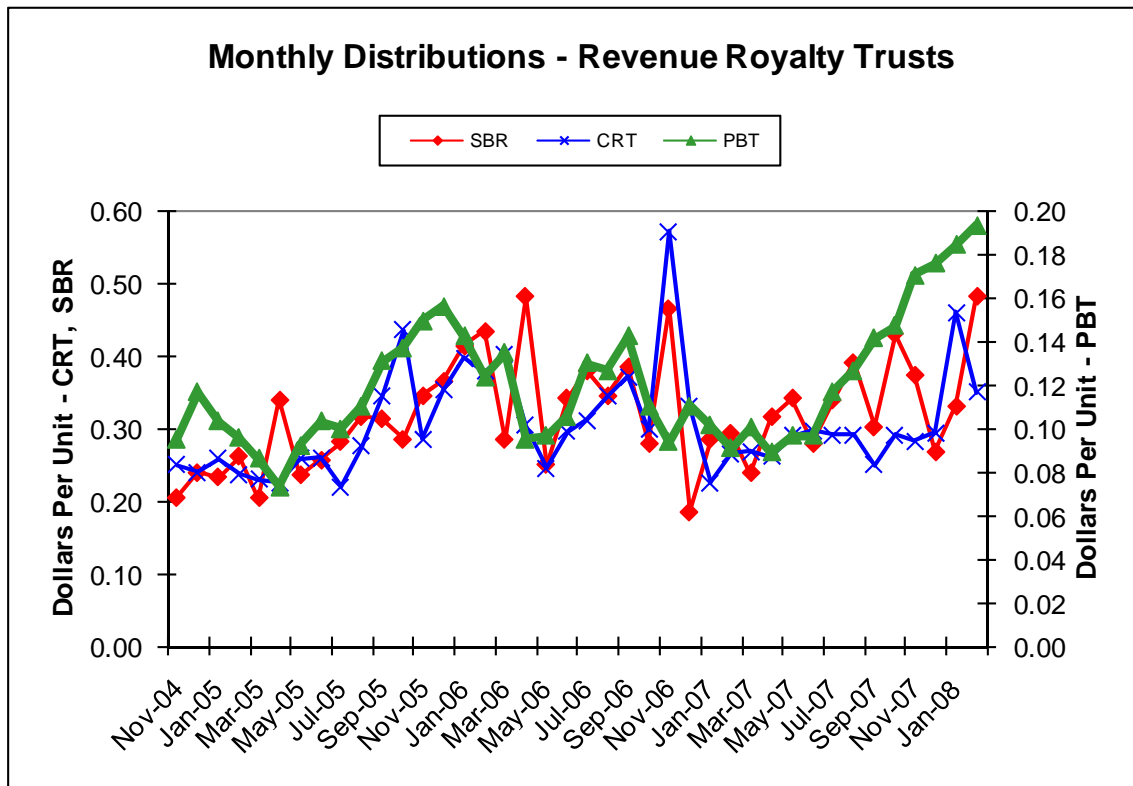
Natural Gas and Oil Income Stocks - Rank by NTM Distribution Yield									
			Natural						
		Revenue	Gas/		Dist/			Dist.	
	Symbol	Royalty	Ebitda	Dist/	Equity	NTM Distribution		Yield	
		(%)	(%)	Ebitda	Ebitda	(\$mm)	(\$/un)	(%)	
U.S. Royalty Trusts									
San Juan Basin Royalty Trust	SJT	-	98	0.83	0.83	138	2.96	7.9	
Hugoton Royalty Trust	HGT	-	87	0.72	0.72	99	2.48	9.3	
Cross Timbers Royalty Trust	CRT	84	66	0.94	0.94	26	4.26	8.9	
Mesa Royalty Trust	MTR	-	66	0.88	0.88	12	6.45	9.2	
Permian Basin RT	PBT	35	34	0.89	0.89	88	1.90	10.1	
Sabine Royalty Trust	SBR	100	53	1.00	1.00	74	5.10	10.8	
<i>Total or Median</i>				66	0.89	0.89	400		9.3
Canadian Income Trusts (US\$)									
Canadian Oil Sands Trust	COSWF	-	(7)	0.69	0.73	1,561	3.26	8.6	
Enerplus Resources Fund	ERF	-	38	0.60	0.69	644	4.98	12.0	
Penn West Energy Trust	PWE	-	30	0.44	0.61	1,128	4.03	14.4	
Pengrowth Energy Trust	PGH	-	37	0.67	0.89	658	2.67	14.6	
<i>Total or Median</i>				33	0.64	0.71	4,000		13.2
U.S. Master Limited Partnerships (MLPs)									
Kinder Morgan Energy Partners, L.P.	KMP		-	0.75	1.70	660	3.68	6.3	
Encore Energy Partners, L.P.	ENP		24	0.51	0.67	16	1.55	7.6	
Dorchester Minerals, L.P.	DMLP	64	70	1.00	1.00	72	2.56	12.4	
Linn Energy, LLC	LINE		66	0.79	1.13	287	2.52	11.5	
<i>Total or Median</i>				45	0.77	1,000		9.5	
NTM = Next Twelve Months Ended December 31, 2008									
Ebitda = Earnings before interest, tax, depreciation and amortization									



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