



Penn West Energy Trust Raise Distribution, Adjust NPV

<i>Symbol</i>	PWE	<i>Ebitda Next Twelve Months ending 6/30/09 (US\$mm)</i>	4,010
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	35
<i>Price (US\$/un)</i>	33.66	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	6/12/08	<i>Adjusted Reserves/Production NTM</i>	7.2
<i>Units (mm)</i>	377	<i>EV/Ebitda</i>	4.4
<i>Market Capitalization (US\$mm)</i>	12,700	<i>PV/Ebitda</i>	5.0
<i>Debt (US\$mm)</i>	5,000	<i>Undeveloped Reserves (%)</i>	9
<i>Enterprise Value (EV) (US\$mm)</i>	17,700	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	54.23
<i>Present Value (PV) (US\$mm)</i>	20,100	<i>Present Value Proven Reserves(US\$/boe)</i>	35.85
<i>Net Present Value (US\$/unit)</i>	40	<i>Present Value Proven Reserves(US\$/mcfe)</i>	5.98
<i>Debt/Present Value</i>	0.25	<i>Earnings Next Twelve Months (US\$/un)</i>	3.58
<i>McDep Ratio - EV/PV</i>	0.88	<i>Price/Earnings Next Twelve Months</i>	9
<i>Distribution Yield (%/year)</i>	13.2	<i>Indicated Annual Distribution (US\$/un)</i>	4.44
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\$100 a barrel and natural gas, \$14 a million btu.			
For historical analysis of PWE since 2005 see www.mcdep.com/5pwt.htm			

Summary and Recommendation

Units of buy-recommended **Penn West Energy Trust (PWE)** appear attractive for long-term investment on both a distribution yield of 13% and Net Present Value (NPV) of \$40 a unit. After holding monthly distribution constant for more than two years, PWE may raise it, perhaps by 8% in the next twelve months. At an oil price of \$134 a barrel indicated by recent futures, we believe management could meet priorities to reinvest and to repay debt as well as to increase the distribution. We change our technique for projecting distribution to a presumed payout of cash flow after interest and hedging (see table Next Twelve Months Operating and Financial Estimates). While we have new optimism on the distribution, we take back \$5 a unit from our recent increase in NPV to lower it to \$40 a unit. The main change is to take better account of a higher provision for Alberta royalty beginning in 2009. Our present value analysis implies that buying a stock like PWE at a McDep Ratio of 0.88 would earn an unlevered return of 7% a year before inflation at a price of light, sweet crude oil of \$88 a barrel. If inflation is as low as 3% a year and considering Penn West's 0.25 ratio of debt to present value, then the levered return to unit holders after inflation would be about 13% a year. PWE contributes conventional oil profitability and the highest distribution yield to our four-stock portfolio of income buy recommendations (see weekly valuation tables on pages 3 and 4).

Kurt H. Wulff, CFA

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Penn West Energy Trust									
Next Twelve Months Operating and Financial Estimates									
(Canadian dollars)									
									Next Twelve Months
	Q2 6/30/07	Q1 3/31/08	Q2E 6/30/08	Q3E 9/30/08	Q4E 12/31/08	Year 2008E	Q1E 3/31/09	Q2E 6/30/09	6/30/09
Volume									
Natural Gas (mmcf)	334	500	515	525	535	519	535	535	532
Days	91	91	91	92	92	366	90	91	365
Oil (mbd)	71	109	114	114	114	113	114	114	114
Total gas & oil (bcf)	69	105	109	111	112	438	110	111	444
Total gas & oil (mbd)	127	192	200	202	203	199	203	203	203
Price									
Natural gas (\$/mcf)									
Henry Hub (US\$/mmbtu)	7.56	8.02	10.93	12.66	13.01	11.16	13.36	12.81	12.96
Currency (US\$/C\$)	0.91	1.00	0.98	0.98	0.98	0.98	0.98	0.98	0.98
Henry Hub (C\$/mmbtu)	8.29	8.05	11.18	12.95	13.30	11.37	13.65	13.10	13.25
Company (C\$/mcf)	7.65	7.98	11.08	12.83	13.18	11.32	13.53	12.98	13.13
Oil (\$/bbl)									
WTI Cushing (US\$)	64.91	97.94	124.11	134.65	134.60	122.83	133.95	134.74	134.49
WTI Cushing (C\$/bbl)	71.25	98.40	126.89	137.66	137.62	125.19	136.95	137.76	137.50
Company (C\$/bbl)	58.40	83.22	107.32	116.43	116.39	106.15	115.83	116.51	116.29
Total gas & oil (\$/mcf)	8.82	11.32	14.96	16.55	16.67	12.24	16.77	16.59	13.20
Revenue (\$mm)									
Natural Gas	233	363	519	620	649	2,150	651	632	2,552
Oil	377	826	1,113	1,221	1,221	4,381	1,188	1,209	4,839
Other	(114)	(214)	(294)	(331)	(337)	(1,176)	(431)	(431)	(1,529)
Total	495	975	1,339	1,509	1,533	5,355	1,409	1,410	5,861
Expense (\$mm)									
		292	402	453	460	1,607	423	423	1,758
Ebitda (\$mm)	346	682	937	1,057	1,073	3,749	986	987	4,103
Deprec., Deplet., & Amort.	218	396	420	420	420	1,656	420	420	1,680
Hedging and other	(36)	210	262	359	309	1,141	83	84	836
Ebit	164	76	255	277	344	952	483	483	1,587
Interest	24	52	52	52	52	208	52	52	208
Ebt	140	24	203	225	292	744	431	431	1,379
Income Tax		(55)				(55)			-
Net Income (\$mm)	140	79	203	225	292	799	431	431	1,379
Shares (millions)	242	361	373	376	377	374	377	377	377
Per share (\$)	0.58	0.22	0.54	0.60	0.77	2.14	1.14	1.14	3.66
Ebitda Margin - O&G	70%	70%	70%	70%	70%	70%	70%	70%	70%
Tax Rate	0%	-225%	0%	0%	0%	-7%	0%	0%	0%
Distribution (\$mm)	246	368	380	384	391	1,533	468	468	1,711
Per share (\$)	1.02	1.02	1.02	1.02	1.04	4.10	1.24	1.24	4.54
Payout (%)	0.69	0.88	0.61	0.59	0.55	0.64	0.55	0.55	0.56

Note: Payout defined as distribution divided by (Ebitda minus Hedging minus Interest).

Functional Cash Flow and Present Value					
	NTM Ebitda	Adjusted	PV/	Present	
	(US\$mm)	R/P	Ebitda	Value	
				(US\$mm)	
North American Natural Gas	1,380	5.8	4.6	6,300	31%
Oil	2,630	8.3	5.2	13,800	69%
	4,010	7.2	5.0	20,100	100%
Debt (US\$mm)					5,000
Net Present Value (US\$mm)					15,100
Shares (mm)					377
Net Present Value - Standard Estimate (US\$/sh)					40
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					39

Please see disclosures on the final page.

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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		12-Jun 2008	(mm)				
U.S. Royalty Trusts								
Sabine Royalty Trust	SBR		67.37	14.6	980	60.00	-	1.12
Permian Basin RT	PBT		23.20	46.6	1,080	23.00	-	1.01
San Juan Basin Royalty Trust	SJT	B	44.36	46.6	2,070	48.00	-	0.92
Cross Timbers Royalty Trust	CRT		51.80	6.0	310	57.00	-	0.91
Mesa RoyaltyTrust	MTR		76.75	1.9	140	93.00	-	0.83
Hugoton RoyaltyTrust	HGT	B	34.48	40.0	1,380	42.00	-	0.82
<i>Total or Median</i>					6,000			0.92
Canadian Income Trusts (US\$)								
Pengrowth Energy Trust	PGH		20.40	247.0	5,040	24.00	0.25	0.89
Canadian Oil Sands Trust	COSWF	B	50.15	479.0	24,020	57.00	0.04	0.88
Penn West Energy Trust	PWE	B	33.66	376.8	12,680	40.00	0.25	0.88
Enerplus Resources Fund	ERF		46.54	153.0	7,120	63.00	0.14	0.78
<i>Total or Median</i>					48,900		0.19	0.88
U.S. Master Limited Partnerships (MLPs)								
Kinder Morgan Energy Partners, L.P.	KMP	S	58.28	189.1	11,020	17.00	0.57	2.05
Encore Energy Partners, L.P. (32%)	ENP		26.65	10.2	270	26.00	0.18	1.02
Dorchester Minerals, L.P.	DMLP		28.37	28.2	800	33.00	-	0.86
Linn Energy, LLC	LINE		23.91	114.0	2,730	35.00	0.38	0.80
<i>Total or Median</i>					14,800		0.28	0.94
B = Buy, S = Sell								
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses								
Present Value presumes long-term prices of \$100 a barrel for oil and \$14 a million btu for natural gas.								

Natural Gas and Oil Income Stocks - Rank by EV/Ebitda							
			Price (\$/sh)	Adjstd Resrvs/ Prod	PV/ Ebitda NTM	EV/ Ebitda NTM	Divd or Distrib NTM (%)
	Symbol/ Rating		12-Jun 2008	NTM	NTM	NTM	NTM
U.S. Royalty Trusts							
Sabine Royalty Trust	SBR		67.37	9.1	7.7	8.6	11.6
Cross Timbers Royalty Trust	CRT		51.80	13.4	8.6	7.8	12.0
San Juan Basin Royalty Trust	SJT	B	44.36	10.4	8.1	7.5	10.9
Mesa RoyaltyTrust	MTR		76.75	21.1	8.4	6.9	12.7
Permian Basin RT	PBT		23.20	8.4	6.8	6.8	13.9
Hugoton RoyaltyTrust	HGT	B	34.48	13.1	7.6	6.3	11.1
<i>Median</i>				11.8	7.9	7.2	11.8
Canadian Income Trusts (US\$)							
Canadian Oil Sands Trust	COSWF	B	50.15	22.0	8.0	7.1	12.4
Pengrowth Energy Trust	PGH		20.40	8.9	5.7	5.1	12.9
Enerplus Resources Fund	ERF		46.54	9.6	6.0	4.6	10.6
Penn West Energy Trust	PWE	B	33.66	7.2	5.0	4.4	13.2
<i>Median</i>				9.2	5.8	4.8	12.7
U.S. Master Limited Partnerships (MLPs)							
Kinder Morgan Energy Partners, L.P.	KMP	S	58.28	8.0	7.4	15.1	6.3
Linn Energy, LLC	LINE		23.91	17.4	9.0	7.3	10.5
Dorchester Minerals, L.P.	DMLP		28.37	8.5	8.2	7.1	14.1
Encore Energy Partners, L.P.	ENP		26.65	12.4	6.2	6.4	8.6
<i>Median</i>				10.4	7.8	7.2	9.6
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2009; 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	-	99	0.82	0.82	225	4.83	10.9
Hugoton Royalty Trust	HGT	-	89	0.70	0.70	154	3.84	11.1
Sabine Royalty Trust	SBR	100	57	1.00	1.00	114	7.81	11.6
Cross Timbers Royalty Trust	CRT	84	68	0.94	0.94	37	6.24	12.0
Mesa Royalty Trust	MTR	-	68	0.88	0.88	18	9.75	12.7
Permian Basin RT	PBT	32	35	0.95	0.95	150	3.23	13.9
<i>Total or Median</i>			68	0.91	0.91	700		11.8
Canadian Income Trusts (US\$)								
Enerplus Resources Fund	ERF	-	49	0.40	0.47	753	4.92	10.6
Canadian Oil Sands Trust	COSWF	-	(8)	0.83	0.87	2,976	6.21	12.4
Pengrowth Energy Trust	PGH	-	38	0.47	0.63	652	2.64	12.9
Penn West Energy Trust	PWE	-	35	0.42	0.56	1,674	4.44	13.2
<i>Total or Median</i>			36	0.44	0.59	6,100		12.7
U.S. Master Limited Partnerships (MLPs)								
Kinder Morgan Energy Partners,	KMP		-	0.69	1.60	696	3.68	6.3
Encore Energy Partners, L.P.	ENP		18	0.45	0.55	23	2.30	8.6
Linn Energy, LLC	LINE		57	0.41	0.65	287	2.52	10.5
Dorchester Minerals, L.P.	DMLP	64	74	1.00	1.00	113	4.01	14.1
<i>Total or Median</i>			38	0.57	0.83	1,100		9.6
NTM = Next Twelve Months Ended June 30, 2009								
Ebitda = Earnings before interest, tax, depreciation and amortization								

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