

PENN WEST

PETROLEUM LTD.

NEWS RELEASE

PENN WEST PETROLEUM ANNOUNCES FOURTH QUARTER AND YEAR END RESULTS

FOR IMMEDIATE RELEASE, Thursday, March 20, 2003

PENN WEST PETROLEUM LTD. (TSE – PWT) is pleased to announce its results for the fourth quarter and year ended December 31, 2002.

Fourth quarter report for three months and year ended December 31, 2002

Highlights

Operations

- Crude oil and liquids production averaged 47,300 barrels per day for the quarter, an increase of 12 percent over the 42,300 barrels per day produced in the fourth quarter of 2001.
- Natural gas production in the fourth quarter of 2002 averaged 337 mmcf per day, up slightly from the 334 mmcf per day produced in the fourth quarter of 2001.

Exploration and Development

- Penn West drilled 27 net wells during the fourth quarter of 2002 with a focus in the Plains Core Area.

Financial Results

- Natural gas pricing increased by 68 percent from \$3.13 per mcf in the fourth quarter of 2001 to \$5.26 per mcf in the fourth quarter of 2002. Natural gas prices have strengthened further subsequent to year end.
- Liquids pricing increased by 51 percent to \$35.66 per barrel in the fourth quarter of 2002 from \$23.58 per barrel in the fourth quarter of 2001.
- Cash flow in the fourth quarter of 2002 almost doubled to \$152.9 million from \$77.1 million in the fourth quarter of 2001.
- Net income in the fourth quarter of 2002 increased by 193 percent to \$61.9 million from \$21.1 million in the fourth quarter of 2001. Net income of \$158.4 million (\$2.98 per share) for 2002 included a provision of \$4.5 million for unrealized foreign exchange losses.

The financial and operational results follow:

1 FINANCIAL HIGHLIGHTS (\$ millions, except per share amounts)

	Three months ended December 31			Year ended December 31		
	2002	2001	% Change	2002	2001	% Change
Gross revenues	\$ 318.1	\$ 187.9	69	\$ 986.9	\$ 1,076.2	(8)
Cash flow from operations	\$ 152.9	\$ 77.1	98	\$ 463.5	\$ 612.9	(24)
Per share	2.86	1.46	96	8.70	11.72	(26)
Diluted per share	2.80	1.43	96	8.48	11.36	(25)
Net income	\$ 61.9	\$ 21.1	193	\$ 158.4	\$ 245.1	(35)
Per share	1.16	0.40	190	2.98	4.69	(36)
Diluted per share	1.14	0.39	192	2.90	4.54	(36)

2 PRODUCTION AND NETBACKS

	Three months ended December 31			Year ended December 31		
	2002	2001	% Change	2002	2001	% Change
Natural gas:						
MMcf per day	337.1	334.0	1	332.7	330.3	1
Operating netback (\$ per mcf):						
Sales price	\$ 5.26	\$ 3.13	68	\$ 3.79	\$ 5.24	(28)
Royalties	1.13	0.60	88	0.83	1.24	(33)
Operating costs	0.46	0.43	7	0.46	0.40	15
Netback	\$ 3.67	\$ 2.10	75	\$ 2.50	\$ 3.60	(31)
Oil and natural gas liquids:						
Barrels per day	47,273	42,261	12	44,033	38,884	13
Operating netback (\$ per barrel):						
Sales price	\$ 35.66	\$ 23.58	51	\$ 32.77	\$ 31.31	5
Royalties	6.83	3.17	115	5.51	5.15	7
Operating costs	10.20	9.35	9	9.62	8.77	10
Netback	\$ 18.63	\$ 11.06	68	\$ 17.64	\$ 17.39	1
Combined totals:						
Barrels of oil equivalent*						
Daily production	103,456	97,928	6	99,483	93,934	6
Operating netback (\$ per boe):						
Sales price	\$ 33.42	\$ 20.85	60	\$ 27.18	\$ 31.39	(13)
Royalties	6.82	3.41	100	5.20	6.47	(20)
Operating costs	6.15	5.51	12	5.81	5.05	15
Netback	\$ 20.45	\$ 11.93	71	\$ 16.17	\$ 19.87	(19)

* Barrels of oil equivalent (boe) based on six mcf of natural gas equals one barrel of oil (6:1)

Production volumes and operating netbacks per boe were both higher in the fourth quarter of 2002 compared with the same period in 2001. Natural gas prices were \$5.30 per mcf before hedging and \$5.26 per mcf after hedging. Liquids prices were \$36.71 per barrel before hedging and \$35.66 per barrel after hedging.

3 UNDEVELOPED LANDS

	As at December 31		
	2002	2001	% Change
Gross acres (000s)	4,402	3,672	20
Net acres (000s)	4,158	3,381	23
Average working interest	94%	92%	

4 DRILLING PROGRAM

	Three months ended December 31				Year ended December 31			
	2002		2001		2002		2001	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Natural gas	10	10	34	14	209	197	274	237
Oil	18	14	9	5	112	96	118	97
Dry	3	3	1	-	44	42	61	57
Total wells	31	27	44	19	365	335	453	391
Success Rate	89%		100%		87%		85%	

5 ACTIVITIES BY CORE AREA

Core Area	Undeveloped land as at December 31, 2002 (thousands of net acres)	Net wells drilled for the year ended December 31, 2002
Northern	2,120	86
Peace River Arch	127	1
Central	873	42
Plains	792	192
Southern Saskatchewan/Other	246	14
	4,158	335

6 CAPITAL EXPENDITURES (\$ millions)

	Three months ended December 31		Year ended December 31	
	2002	2001	2002	2001
Net property acquisitions	\$ 86.8	\$ 52.1	\$ 230.3	\$ 233.0
Land acquisition and retention	11.3	7.0	42.5	43.2
Drilling and completions	29.0	19.3	149.3	201.7
Facilities and well equipping	35.5	30.7	134.2	134.3
Geological and geophysical	6.9	5.3	15.6	19.9
Head office and other	0.3	0.5	1.4	1.4
Capital expenditures	\$ 169.8	\$ 114.9	\$ 573.3	\$ 633.5

7 RESERVES

	As at December 31		
	2002	2001	% Change
Natural gas:			
(billions of cubic feet)			
Proven producing	742.1	761.6	(3)
Proven non-producing	154.7	187.4	(17)
Total proven	896.8	949.0	(6)
Total probable	115.9	122.4	(5)
Total proven plus probable	1,012.7	1,071.4	(5)
Oil and natural gas liquids:			
(millions of barrels)			
Proven producing	173.6	154.8	12
Proven non-producing	37.7	34.8	8
Total proven	211.3	189.6	11
Total probable	37.6	39.5	(5)
Total proven plus probable	248.9	229.1	9
Combined totals:			
(millions of barrels, proven plus probable)			
Barrels of oil equivalent (6:1)	417.7	407.7	2
Present value of future cash flow, Before income tax:			
(\$ millions, proven plus probable)			
10% discount rate	\$ 3,283	\$ 3,047	8

8 NET FINDING AND ON-STREAM COSTS (\$/boe)

	Year ended December 31	
	2002	2001
Proven reserve additions (6:1)	\$ 11.63	\$ 10.12

9 PRICE FORECAST FOR RESERVES PRESENT VALUE CALCULATION

	Oil WTI (\$US/bbl)	Oil Light Crude at Edmonton (\$/bbl)	Oil Medium Crude at Hardisty (\$/bbl)	Natural Gas Alberta Average Field Price (\$/mmbtu)
2003	26.00	39.60	32.60	5.15
2004	24.00	35.90	30.29	4.85
2005	22.90	33.70	27.98	4.65
2006	22.80	33.00	27.16	4.65
2007	23.30	33.20	27.25	4.65
2008	23.80	33.90	27.83	4.70
2009	24.30	34.60	28.41	4.80
2010	24.80	35.30	28.98	4.90

10 COMMON SHARE DATA (millions of shares)

	2002	2001	% Change
Weighted average: (year ended December 31)			
Basic	53.2	52.3	2
Diluted	54.6	54.0	1
Outstanding: (as at December 31)			
Basic	53.7	52.7	2
Basic plus stock options	58.7	58.1	1

11 OUTLOOK

We are in the midst of an active first quarter 2003 drilling program that is focused on natural gas in our Northern Core Area. Through the remainder of 2003, we will proceed with several other projects, including conventional heavy oil, shallow natural gas and enhanced oil recovery.

For 2003, Penn West has budgeted capital expenditures of \$550-\$650 million, expected to be financed entirely through internally generated cash flow. This budget will fund the drilling of 500 to 600 net wells. In addition, a modest amount of growth will be achieved through acquisitions under the base budget, and we will remain alert to opportunities for cost effective acquisitions exceeding our planned expenditures. Penn West's average production is expected to increase to a forecasted range of 104,000-109,000 boe per day.

Penn West's operating budget for 2003 is based on price assumptions of US\$27.00 per barrel of WTI crude oil, US\$4.95 per mmbtu of NYMEX natural gas and an average corporate natural gas sales price of \$6.00 per mcf at the plantgate. Under these assumptions, Penn West will generate 2003 cash flow of \$670-\$710 million (\$12.30 - \$13.10 per share).

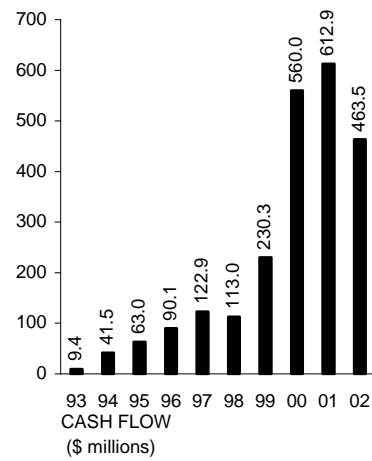
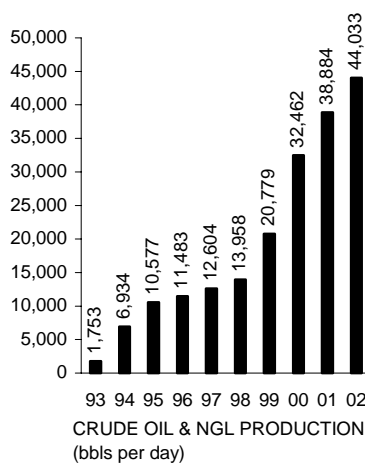
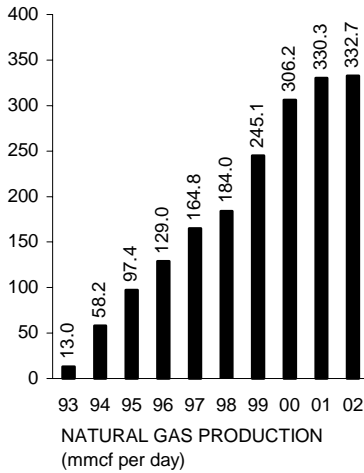
12 SENSITIVITY ANALYSIS

This news release includes forward-looking statements (forecasts) under applicable securities laws. These statements are subject to known or unknown risks and uncertainties that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. Sensitivities to selected key assumptions are outlined in the table below. It should be noted that current prices on the forward markets are much stronger than the estimates that have been used for Penn West's forecasts as outlined above.

Change of:	Impact on cash flow*	Impact on net income*
\$1.00 per barrel of liquids price	14.3	8.4
Per common share	0.26	0.15
1,000 barrels per day in liquids production	10.0	4.1
Per common share	0.19	0.08
\$0.10 per mcf of natural gas price	9.6	5.6
Per common share	0.18	0.10
10 mmcf per day in natural gas production	15.8	6.3
Per common share	0.29	0.12
\$0.01 in \$US/\$CAD exchange rate	15.2	8.9
Per common share	0.28	0.16

*\$ millions, except per common share amounts

Charting our Performance



Letter to our Shareholders

Penn West reached an important milestone in the second half of 2002 as production surpassed 100,000 boe per day.

Penn West's business plan has delivered year-over-year growth and strong financial results. Penn West has increased production per share at a compound annual growth rate of 32 percent over the past ten years. We have been profitable in every year and every quarter since 1992. Our growth has been attained with competitive costs, reasonable levels of indebtedness and with minimal dilution of shareholders' equity.

We are confident that our business plan and our asset base represent a platform for continued growth in both the short and long term. Our assets in the Western Canadian Sedimentary Basin are capable of powering the growth of a senior producer. In short, Penn West has been laying the foundation for a second decade of growth.

Our land position has grown to over 4,250,000 net acres of undeveloped land. We have an experienced technical team who understand exploration and development in Western Canada. We have practiced financial discipline over the past decade, and we will maintain a strong balance sheet going forward. For these reasons, we remain confident in Penn West's continuing ability to generate positive results for our shareholders.

On behalf of the Board of Directors,

N. Murray Edwards
Chairman

William E. Andrew
President

Calgary, Alberta
March 20, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis ("MD&A") of financial conditions and results of operations should be read in conjunction with the unaudited interim consolidated financial statements for the three and twelve months ended December 31, 2002 and the audited consolidated financial statements and MD&A for the year ended December 31, 2001.

Oil and Natural Gas Revenues

Higher production volumes were offset by lower average natural gas prices resulting in revenues decreasing by 8% to \$987 million for 2002 from \$1,076 million in 2001. Natural gas production of 333 mmcf per day for the year was up 1% from 330 mmcf per day in 2001. Production of crude oil and liquids increased 13% to 44,033 barrels per day in 2002 from 38,884 barrels per day in 2001. The average natural gas price received in 2002 decreased by 28% to \$3.79 per mcf from \$5.24 per mcf in 2001 and the average crude oil and liquids price increased 5% to \$32.77 per barrel in 2002 from \$31.31 per barrel in 2001.

Revenues increased by 69% to \$318 million during the fourth quarter ("Q4") of 2002 from \$188 million in Q4 2001. This increase in revenue was attributable to a combination of higher crude oil and liquids production and higher commodity prices for both crude oil and natural gas. The Company's average production of natural gas was 337 mmcf per day in the quarter, which was 1% higher than the production level in Q4 2001. Production of crude oil and liquids increased 12% to 47,273 barrels per day in the quarter from 42,261 barrels per day in Q4 2001. The average natural gas price received by the Company increased 68% to \$5.26 per mcf in the quarter from \$3.13 in Q4 2001, and the average crude oil and liquids price was up 51% to \$35.66 per barrel in the quarter from \$23.58 per barrel in Q4 2001. Commodity hedging activities reduced the overall price realizations in the fourth quarter by \$0.04 per mcf for natural gas and by \$1.05 per barrel for crude oil and liquids.

Increases (decreases) in gross revenues for the year ended December 31, 2002 (\$ millions) were as follows:

Gross revenues – 2001	\$ 1,076.2
Increase in oil and liquids production	58.8
Increase in oil and liquids price	23.5
Increase in natural gas production	4.4
Decrease in natural gas price	(176.0)
Gross revenues – 2002	<u>\$ 986.9</u>

Royalty Expenses

The average royalty rate Penn West incurred in 2002 was 19%, a reduction in rate of 2% from 2001. The royalty rate decrease reflects an increase in the proportion of oil and liquids in the Company's production mix. The oil and liquids royalty rate in 2002 of 17% compares to 16% in 2001. The natural gas royalty rate of 22% in the period was down from 24% in 2001. These product royalty rates reflect the price sensitive nature of royalty rates in Western Canada.

Operating Expenses

Operating expenses of \$211 million incurred in 2002 were up 22% from \$173 million in 2001. A portion of this increase reflects higher production volumes. Per unit operating costs also increased 15% to \$5.81 per boe from \$5.05 per boe in 2001. The per unit cost increase is partly attributable to an increase in production mix to crude oil which has higher per unit operating costs than natural gas. The proportion of crude oil in the Company's production mix increased to 44% of total production in the period from 41% in 2001. Operating expenses in Q4 2002 were \$59 million, an increase of 18% from \$50 million in Q4 2001. Per unit operating expenses in Q4 2002 of \$6.15 per boe represent a 12% increase from \$5.51 per boe in Q4 2001.

General and Administrative Expenses

Gross general and administrative expenses increased due to growth in staff levels to manage the Company's expanding asset base and production levels. Gross expenses of \$26 million for the year were up 12% from \$23 million in 2001. Net general and administrative expenses of \$10 million in the period were up 39% from \$7 million in 2001. On a per unit basis, net expenses were \$0.28 per boe in 2002 up from \$0.22 per boe for the same period of 2001. This low level of per unit costs is reflective of top quartile performance in the industry. Net general and administrative expenses in Q4 2002 were \$3.0 million up from \$2.3 million in Q4 2001.

Interest Expense

Interest expenses for 2002 amounted to \$20 million, a decrease of 24% from \$27 million in the same period of 2001. The decrease in interest expense reflected the ability of the Company to capture the benefits of low short-term interest rates available in 2002 on both Canadian and U.S. denominated debt. Interest expense in Q4 2002 was \$4.6 million down from \$5.6 million in Q4 2001.

Depletion and Depreciation

Depletion, depreciation and the site restoration provision increased by 29% to a total of \$259 million in 2002 from \$201 million in 2001. This was a direct result of increases in the Company's production levels combined with an increase in the depletion rate. Average unit costs increased by 21% to \$7.13 per boe in the year from \$5.87 per boe in the same 2001 period. The depletion, depreciation and site restoration provision in Q4 of \$73 million is up 19% from \$61 million in Q4 2001.

Foreign Exchange

Throughout the last nine months of 2002 the Company converted the majority of its borrowings to U.S. dollars to capture the benefits of the positive differential between Canadian and U.S. interest rates. As at December 31, 2002, the Company had \$340 million of U.S. denominated debt. The conversion of the outstanding U.S. borrowings (average conversion rate of US\$0.63) at the end of the period resulted in an unrealized foreign exchange loss of \$4.5 million for 2002 versus nil in 2001. The unrealized loss on foreign exchange in Q4 was \$0.2 million compared to nil in Q4 2001.

Taxes

The total provision for income taxes decreased 35% to \$124 million in 2002 from \$192 million in 2001 as a result of 34% lower pre-tax profits generated in the period over the same period of 2001. The provision for income taxes in Q4 2002 of \$49 million was up from \$15 million in Q4 2001 due to the increase in profitability over the same period in 2001. For the year ended December 31, 2002, Penn West paid \$82 million in cash taxes.

Capital Expenditures

Capital expenditures totaled \$573 million in 2002 consisting of \$230 million of net property acquisitions and \$343 million of exploration and development spending. For the same period in 2001, capital expenditures were \$633 million consisting of \$233 million of net property acquisitions and \$400 million of exploration and development spending. The decrease in exploration and development expenditures over the same period in 2002 reflected the planned decrease in the number of net wells drilled in 2002 compared to the same period of 2001. Capital expenditures in Q4 2002 of \$170 million increased 48% from \$115 million in 2001 as a result of increased activity levels in response to higher commodity prices.

Cash Flow and Net Income

Cash flow decreased by 24% to \$463 million (\$8.70 basic per share) in 2002 from the record \$613 million (\$11.72 basic per share) in 2001. Net income decreased 35% to \$158 million (\$2.98 basic per share) in 2002 from \$245 million (\$4.69 basic per share) in 2001.

In Q4 2002, cash flow increased 98% to \$153 million (\$2.86 basic per share) from \$77 million (\$1.46 basic per share) in Q4 2001. This increase in cash flow for the quarter from the prior period is the result of significantly higher commodity prices for both crude oil and natural gas over the same period last year. Net income rose 193%

to \$62 million (\$1.16 basic per share) in the fourth quarter of 2002 from \$21 million (\$0.40 basic per share) in Q4 2001.

These results reflect the on-going efforts of the Company to find and develop oil and natural gas reserves at a reasonable cost, to increase production volumes, and to ultimately convert reserves into cash in a timely and cost-effective manner. The Company achieved a year-over-year increase in production volumes of 6%. Operating netbacks in 2002 decreased 19% to \$16.17 per boe from \$19.87 per boe in 2001 due mainly to the significant decline in year-over-year prices for natural gas. Operating netbacks in Q4 2002 were \$20.45 per boe up 71% from \$11.93 in Q4 2001. Commodity prices for crude oil and natural gas have been showing strength and will generate increased margins and profitability for shareholders throughout 2003.

Liquidity and Capital resources

Penn West funded 81% of its capital program for 2002 using internally generated cash flow. In addition, the Company increased its bank debt drawn by \$42 million during 2002. Bank debt at the end of December 2002 was \$598 million. During the year, the Company increased its revolving credit facility with a syndicate of Canadian banks to \$765 million from \$700 million, and retained its \$50 million operating line of credit. This new credit facility of \$815 million provides the Company with significant financial flexibility to pursue profitable growth opportunities.

SELECTED FINANCIAL INFORMATION

Note: Complete Financial Statements, with notes thereto, and Management's Discussion and Analysis will be available in the Company's Annual Report to Shareholders.

Consolidated Balance Sheets

(\$ millions)	As at December 31, 2002	As at December 31, 2001
Assets		
Current		
Accounts receivable	\$ 145.6	\$ 88.1
Other	14.0	15.0
	159.6	103.1
Property, plant and equipment, net	2,632.8	2,293.3
	\$ 2,792.4	\$ 2,396.4
Liabilities and shareholders' equity		
Current		
Accounts payable and accrued liabilities	\$ 197.6	\$ 135.5
Income taxes payable	82.0	25.1
	\$ 279.6	\$ 160.6
Bank loan (note 2)	598.4	556.3
Site restoration and abandonment	41.3	27.2
Future income taxes	580.1	538.2
	1,219.8	1,121.7
Shareholders' equity		
Share capital (note 3)	483.8	463.3
Retained earnings	809.2	650.8
	1,293.0	1,114.1
	\$ 2,792.4	\$ 2,396.4

Consolidated Statements of Income and Retained Earnings

(\$ millions, except per share amounts)	Three months ended December 31		Year ended December 31	
	2002	2001	2002	2001
Revenues				
Oil and natural gas	\$ 318.1	\$ 187.9	\$ 986.9	\$ 1,076.2
Royalties	(64.9)	(30.7)	(188.9)	(222.0)
	253.2	157.2	798.0	854.2
Expenses				
Operating	58.5	49.7	210.9	173.0
General and administrative	3.0	2.3	10.3	7.4
Interest on long term debt	4.6	5.6	20.3	26.8
Depletion and depreciation	72.8	61.4	258.7	201.3
Foreign exchange loss	0.2	-	4.5	-
	139.1	119.0	504.7	408.5
Income before taxes	114.1	38.2	293.3	445.7
Taxes				
Capital	3.2	2.4	11.0	9.0
Current income	31.0	20.1	82.0	25.1
Future income	18.0	(5.4)	41.9	166.5
	52.2	17.1	134.9	200.6
Net income	61.9	21.1	158.4	245.1
Retained earnings, beginning of period	747.3	629.7	650.8	405.7
Retained earnings, end of period	\$ 809.2	\$ 650.8	\$ 809.2	\$ 650.8
Net income per common share				
Basic	\$ 1.16	\$ 0.40	\$ 2.98	\$ 4.69
Diluted	\$ 1.14	\$ 0.39	\$ 2.90	\$ 4.54

Consolidated Statements of Cash Flow

(\$ millions, except per share amounts)	Three months ended December 31		Year ended December 31	
	2002	2001	2002	2001
Operating activities				
Net income	\$ 61.9	\$ 21.1	\$ 158.4	\$ 245.1
Depletion and depreciation	72.8	61.4	258.7	201.3
Future income taxes	18.0	(5.4)	41.9	166.5
Unrealized foreign exchange loss	0.2	-	4.5	-
Funds flow from operations	152.9	77.1	463.5	612.9
Decrease in non-cash working capital	38.0	34.3	39.6	39.3
	190.9	111.4	503.1	652.2
Investing activities				
Additions to property, plant and equipment, net	(169.8)	(114.9)	(573.3)	(633.5)
Expenditures on abandonments	(4.9)	(5.9)	(10.8)	(14.9)
Decrease in non-cash working capital	4.8	1.0	22.8	16.1
	(169.9)	(119.8)	(561.3)	(632.3)
Financing activities				
(Decrease) increase in bank loan	(25.6)	5.1	37.6	(34.1)
Issue of common shares, net	4.9	3.6	20.5	14.4
(Increase) decrease in non-cash working capital	(0.3)	(0.3)	0.1	(0.2)
	(21.0)	8.4	58.2	(19.9)
Increase in cash	-	-	-	-
Cash, beginning of period	-	-	-	-
Cash, end of period	\$ -	\$ -	\$ -	\$ -
Cash flow per common share				
Basic	\$ 2.86	\$ 1.46	\$ 8.70	\$ 11.72
Diluted	\$ 2.80	\$ 1.43	\$ 8.48	\$ 11.36

Notes to the Consolidated Financial Statements (\$ millions):

1. SIGNIFICANT ACCOUNTING POLICIES:

These interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries and partnerships. These interim consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles using the same accounting policies and methods of computation as the audited annual consolidated financial statements as at and for the year ended December 31, 2001. These accounting policies and methods of computation are described in the notes to the audited consolidated financial statements for the year ended December 31, 2001.

2. BANK LOAN

	As at December 31, 2002	As at December 31, 2001
Bankers' acceptances	\$ 61.2	\$ 556.3
LIBOR advances (US\$340 million)	537.2	-
	\$ 598.4	\$ 556.3

At December 31, 2002, the Company had unsecured bank credit facilities of \$815 million comprising a \$765 million credit facility and a \$50 million operating loan facility, and had outstanding letters of credit totaling \$9.9 million that reduced the amount otherwise available to be drawn on the credit facility.

3. SHARE CAPITAL

	As at December 31, 2002	As at December 31, 2001
Share capital	\$ 483.8	\$ 463.3

	Shares	Amount
Common shares issued		
Balance, January 1, 2002	52,722,760	\$ 463.3
Issued on exercise of stock options	951,450	18.2
Issued to employee stock savings plan	58,330	2.3
Balance, December 31, 2002	53,732,540	\$ 483.8

	Number of stock options	Weighted average exercise price
Stock options		
Outstanding, January 1, 2002	5,386,500	\$ 27.19
Granted	852,400	36.25
Exercised	(951,450)	19.12
Forfeited	(281,700)	32.48
Outstanding, December 31, 2002	5,005,750	\$ 29.97
Exercisable, December 31, 2002	1,628,060	\$ 26.18

4. FINANCIAL INSTRUMENTS

The Company had the following financial hedging positions outstanding at December 31, 2002:

	Notional Volume	Remaining Term	Pricing
Crude Oil			
WTI Costless Collars	17,500 Bbls/d	Jan/03 – Jun/03	US \$22.50 to 29.25/Bbl
Natural Gas			
AECO Costless Collars	105,000 GJ/d	Jan/03 – Mar/03	\$4.00 to 7.50/GJ
Electricity			
Alberta Power Pool Swaps	35 MW	2003	\$45.00 to \$60.95/MWh
Alberta Power Pool Swaps	35 MW	2004 - 2005	\$45.00 to \$50.00/MWh

5. STOCK-BASED COMPENSATION

The Company uses the intrinsic value method to account for stock-based compensation costs. Under this method, no compensation costs are recorded in the financial statements for stock options granted. If the fair value based method had been used, the stock-based compensation costs, proforma net income and proforma net income per share would be as follows:

Year ended	December 31, 2002	
Stock-based compensation costs	\$	1.5
Net income		
As reported	\$	158.4
Proforma	\$	156.9
Net income per common share		
Basic		
As reported	\$	2.98
Proforma	\$	2.95
Diluted		
As reported	\$	2.90
Proforma	\$	2.87

The proforma amounts include the compensation costs associated with stock options granted subsequent to January 1, 2002.

The Black-Scholes option pricing model, with the following weighted average assumptions, was used to estimate the fair value of options on the date of the grant:

Year ended	December 31, 2002	
Average fair value of stock options granted (per option)		
Directors and officers	\$	14.07
Other employees	\$	11.70
Expected life of stock options (years)		
Directors and officers		5.0
Other employees		4.5
Expected volatility (average)		31.90%
Risk free rate of return (average)		4.74%
Expected dividend yield		nil

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that are fully transferable and have no vesting restrictions. The Company's employee stock options are not transferable, cannot be traded and are subject to vesting restrictions and exercise restrictions under the Company's blackout policy which would tend to reduce the fair value of the Company stock options. Changes to the subjective input assumptions used in the model can cause a significant variation in the estimate of the fair value of the options.

Investor Information

Penn West Petroleum Ltd. is a senior independent Canadian oil and natural gas company, based in Calgary, Alberta, that focuses on exploration and development activity. Penn West trades on The Toronto Stock Exchange under the symbol PWT.

A conference call will be held to discuss Penn West's results at 9:00 a.m. Mountain Time, 11:00 a.m. Eastern Time on Thursday, March 20, 2003. The North American conference call number is 1-800-814-4853 and the local conference call number for Toronto is 416-640-4127. A taped recording will be available until March 27, 2003 by dialing 1-877-289-8525 or 416-640-1917 and entering passcode 238013#. This call will be broadcast live on the internet and may be accessed directly on the Penn West website www.pennwest.com or at the following URL: <http://www.newswire.ca/webcast/viewEventCNW.html?eventID=481800>.

Notes to Reader

- 1.) This document contains forward-looking statements (forecasts) under applicable securities laws. Forward-looking statements are necessarily based upon assumptions and judgements with respect to the future including, but not limited to, the outlook for commodity markets and capital markets, the performance of producing wells and reservoirs, and the regulatory and legal environment. Many of these factors can be difficult to predict. As a result, the forward-looking statements are subject to known or unknown risks and uncertainties that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements
- 2.) All dollar amounts contained in this document are expressed in Canadian dollars unless noted otherwise.
- 3.) Where applicable, natural gas has been converted to barrels of oil equivalent (boe) using a conversion rate of 6 mcf of natural gas equals 1 boe.

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