

# ***PENN WEST***

***PETROLEUM LTD.***

## **NEWS RELEASE**

### **PENN WEST PETROLEUM ANNOUNCES RECORD QUARTERLY CASH FLOW IN THE FIRST QUARTER OF 2005**

**FOR IMMEDIATE RELEASE**, Wednesday, May 11, 2005

**PENN WEST PETROLEUM LTD. (TSX – PWT)** is pleased to announce its results for the first quarter of 2005

**First quarter report for three months ended March 31, 2005**

#### **Highlights**

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##### ***Strategic Alternatives Update***

- In early May 2005, an Information Circular and Proxy Statement was mailed to shareholders containing a proposed Plan of Arrangement to convert the Company into an energy income trust. If the proposed Plan of Arrangement is approved at the May 27, 2005 Annual and Special Meeting of Securityholders, and if certain regulatory approvals are obtained, the Company will convert to an energy income trust effective May 31, 2005.

##### ***Financial Results***

- Cash flow from operations<sup>(1)</sup> in the first quarter of 2005 increased by 44 percent to a record quarterly cash flow of \$260.1 million (\$4.83 per share, basic) from \$181.2 million (\$3.37 per share, basic) in the first quarter of 2004. Cash flow in the first quarter of 2005 included realized foreign exchange gains of \$63 million.
- Realized natural gas hedging gains totalled \$6.7 million in the first quarter of 2005. The Company currently has no outstanding oil or natural gas financial instruments.
- Natural gas prices, including hedging, increased by 11 percent to \$7.11 per mcf in the first quarter of 2005 from \$6.41 per mcf in the first quarter of 2004.
- Liquids prices increased by 31 percent to \$46.04 per barrel in the first quarter of 2005 from \$35.21 per barrel in the first quarter of 2004.
- First quarter 2005 net income was \$66.9 million (\$1.24 per share, basic), compared to \$61.0 million (\$1.13 per share, basic) realized in the first quarter of 2004.
- Bank debt at March 31, 2005 was \$512 million, a 31% reduction from \$737 million at March 31, 2004.

##### ***Exploration and Development***

- During the first quarter of 2005, Penn West drilled 141 net wells with a 95 percent rate of success.

##### ***Operations***

- Crude oil and liquids production averaged 53,162 barrels per day for the quarter, an increase of four percent over the 51,245 barrels per day produced in the first quarter of 2004.
- First quarter 2005 natural gas production averaged 289 mmcf per day, down seven percent from the 312 mmcf per day produced in the first quarter of 2004.
- Adverse weather conditions in the Northern and Plains core areas negatively impacted first quarter 2005 production volumes by in excess of 1,000 barrels of oil equivalent per day and capital expenditures were below forecast levels. Current production is approximately 103,000 barrels of oil equivalent per day.

The financial and operational results follow:

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

	Three months ended March 31		
	2005	2004	% Change
Gross revenues	\$ 405.3	\$ 346.1	17
Cash flow from operations <sup>(1)</sup>	\$ 260.1	\$ 181.2	44
Per share	4.83	3.37	43
Diluted per share	4.73	3.32	42
Net income	\$ 66.9	\$ 61.0	10
Per share	1.24	1.13	10
Diluted per share	1.22	1.12	9
Dividends paid <sup>(2)</sup>	\$ 6.7	\$ 87.4	(92)

(1) Cash flow from operations is a non-generally accepted accounting principles ("GAAP") term and represents cash flow from operating activities before changes in non-cash working capital, cash option payments and abandonment expenditures.

(2) Dividends paid in the three months ended March 31, 2004 included the payment of an \$80.7 million (\$1.50 per share) special dividend.

### 2. ADJUSTED INCOME FROM OPERATIONS

The following table provides a reconciliation of the after tax effects of certain items of a non-operational nature that are included in the Company's financial results.

(\$ millions, except per share amounts)	Three months ended March 31	
	2005	2004
Net income as reported	\$ 66.9	\$ 61.0
Foreign exchange loss (gain) <sup>(1)</sup>	1.2	(6.9)
Effect of statutory tax rate changes on future income tax liabilities <sup>(2)</sup>	-	(20.3)
Stock-based compensation expense <sup>(3)</sup>	11.7	22.8
Adjusted income from operations <sup>(4)</sup>	\$ 79.8	\$ 56.6
Per share - basic	\$ 1.48	\$ 1.05
- diluted	\$ 1.45	\$ 1.03

(1) Gains and losses on the translation of US dollar denominated debt to period end exchange rates are immediately recognized in net income.

(2) During the first quarter of 2004, the Alberta Government substantively enacted rate reductions applicable to the resource industry. The impact of such changes on future income tax assets and liabilities is included in net income during the period that the legislation is substantively enacted.

(3) The Stock Option Plan provides employees and directors the choice of a cash payment in return for surrendering vested options. Quarterly provisions are made to reflect the Company's potential liability under the Stock Option Plan.

(4) Adjusted income from operations is a non-GAAP term that the Company utilizes to evaluate its performance.

### 3. CAPITAL EXPENDITURES (\$ millions)

	Three months ended March 31	
	2005	2004
Property acquisitions, net	\$ 0.3	\$ 233.8
Land acquisition and retention	4.3	5.0
Drilling and completions	143.5	116.0
Facilities and well equipping	49.3	83.4
Geological and geophysical	4.0	9.1
Head office and other	0.3	0.3
Capital expenditures	\$ 201.7	\$ 447.6



























