



**PENN WEST ENERGY TRUST 2010 CANADIAN INCOME TAX INFORMATION**

*This letter is intended to provide assistance to Canadian resident individual unitholders of Penn West Energy Trust (“the Trust”) in the preparation of their 2010 T1 Income Tax Returns. It is not exhaustive of all income tax considerations and is not intended to constitute legal or tax advice to any unitholder. Readers should consult their own legal or tax advisors as to their own particular tax consequences of holding Trust units.*

**Canadian Unitholders**

The following summary applies if you were a Trust unitholder who:

- was a resident of Canada under the Income Tax Act (Canada), and
- held Trust units as capital property.

If this was not the case, please consult with your tax adviser about your Trust units.

**2010 Monthly Trust Distributions**

The Trust qualified as a mutual fund trust under the Income Tax Act (Canada) and the trust units were qualified investments for a Registered Retirement Savings Plan (“RRSP”), Registered Retirement Income Fund (“RRIF”), Registered Education Savings Plan (“RESP”), Deferred Profit Sharing Plan (“DPSP”) or a Tax-Free Savings Account (“TFSA”).

For Canadian unitholders, monthly trust distributions are comprised of a taxable (income) portion and a tax-deferred (return of capital) portion. The taxable portion is determined directly from the calculation of the Trust’s taxable income and is dependent upon various tax deductions that the Trust may claim against its income for tax purposes for the year. Taxable amounts are reported in the Trust’s T3 return and are allocated to individual unitholders via T3 supplementary slips prepared by the Trust’s transfer agent, brokers or other intermediaries. Unitholders are then generally required to include their proportionate share of this income allocation in their tax return for the year.

**Corporate Conversion**

Effective January 1, 2011, the Trust converted to Penn West Petroleum Ltd. (“Penn West”), a publically listed corporation. Next year, Canadian shareholders of Penn West can expect to receive a T5 supplementary slip in respect of dividends received from Penn West for the 2011 taxation year.

**Trust Units Held Within an RRSP, RRIF, RESP, DPSP or TFSA**

If you held your trust units within an RRSP, RRIF, RESP, DPSP or TFSA, **NO AMOUNT** is to be reported in your 2010 Income Tax Return.

**Trust Units Held Outside of an RRSP, RRIF, RESP, DPSP or TFSA**

Follow this table if you held your trust units outside an RRSP, RRIF, RESP, DPSP or TFSA.

| <b>If</b>  | <b>Then</b>  |
|--|--|
| You held trust units through a broker or other intermediary... | You will receive a T3 Supplementary slip directly from your broker or intermediary, <b>not</b> from the transfer agent or the Trust. |
| You were a registered unitholder...                            | You will receive T3 Supplementary slips directly from the Trust’s transfer agent (CIBC Mellon).                                      |

The Trust has determined that distributions received by Canadian resident unitholders in respect of the 2010 taxation year are **100% taxable (income) and 0% tax-deferred (return of capital)**. The taxable portion of distributions is to be reported as “Other income” in your 2010 T1 income tax return and will be included in Box (26) of the “T3 Supplementary” slip.

#### Cash Distribution Schedule

The table below summarizes, on a per unit basis, the taxability of cash distributions declared and included in the 2010 “T3 Supplementary” slips, which, for Canadian tax purposes, will include distributions with record dates from January 29, 2010 to December 31, 2010.

#### 2010 Cash Distribution Information for Canadian Penn West Energy Trust Unitholders (\$/unit)

| Record Date           | Payment Date | Cash Distribution | Taxable Amount | Return of Capital Amount |
|-----------------------|--------------|-------------------|----------------|--------------------------|
|                       |              | (\$CDN)           | (\$CDN)        | (\$CDN)                  |
| Jan 29 2010           | Feb 12 2010  | 0.15              | 0.15           | 0.00                     |
| Feb 26 2010           | Mar 15 2010  | 0.15              | 0.15           | 0.00                     |
| Mar 31 2010           | Apr 15 2010  | 0.15              | 0.15           | 0.00                     |
| Apr 30 2010           | May 14 2010  | 0.15              | 0.15           | 0.00                     |
| May 31 2010           | Jun 15 2010  | 0.15              | 0.15           | 0.00                     |
| Jun 30 2010           | Jul 15 2010  | 0.15              | 0.15           | 0.00                     |
| Jul 30 2010           | Aug 13 2010  | 0.15              | 0.15           | 0.00                     |
| Aug 31 2010           | Sept 15 2010 | 0.15              | 0.15           | 0.00                     |
| Sept 30 2010          | Oct 15 2010  | 0.09              | 0.09           | 0.00                     |
| Oct 29 2010           | Nov 15 2010  | 0.09              | 0.09           | 0.00                     |
| Nov 30 2010           | Dec 15 2010  | 0.09              | 0.09           | 0.00                     |
| Dec 31 2010           | Jan 14 2011  | 0.09              | 0.09           | 0.00                     |
| <b>Total per unit</b> |              | <b>1.56</b>       | <b>1.56</b>    | <b>0.00</b>              |

#### Adjusted Cost Base of Units for Capital Gains Purposes

The Adjusted Cost Base (“ACB”) is used in calculating capital gains and losses on the disposition of trust units. Unitholders are required to reduce the ACB of their trust units by an amount equal to the cumulative cash received from distributions in 2010 minus the amount reported as “Other Income” on the T3 slip. Since the return of capital for 2010 is nil, there should be no effect on ACB.

Unitholders are strongly encouraged to maintain an ongoing record of the return of capital portion of trust distributions and regularly update their ACB calculations. Each unitholder is solely responsible for his or her own ACB calculations; Penn West neither tracks nor provides advice in this respect.