



PENN WEST ENERGY TRUST 2005 CANADIAN INCOME TAX INFORMATION

What is the taxability of Penn West’s distributions for 2005?

The following information is provided to assist individual Canadian resident unitholders with 2005 income tax reporting. It is not intended to constitute legal or tax advice to any holder or potential holder of Penn West units. Readers should consult with their legal or tax advisors as to their particular tax consequences of holding Penn West units.

Units held in a registered account:

Canadian unitholders who held Penn West units in a Registered Retirement Savings Plan, Registered Retirement Income Fund, Registered Education Savings Plan or Deferred Profit Sharing Plan are not required to report any amount on their 2005 T1 Income Tax Return.

Units held in a non-registered account:

Canadian unitholders who held Penn West units in a non-registered account should receive a T3 Supplementary tax slip ("T3 slip") postmarked on or before March 31, 2006. Registered unitholders will receive T3 slips directly from Penn West's transfer agent, CIBC Mellon Trust Company ("CIBC Mellon"). Beneficial unitholders who hold Penn West units through a broker or other intermediary will receive T3 slips from their broker or other intermediary and not from CIBC Mellon or Penn West.

For the 2005 tax year, Penn West has determined that distributions received by Canadian resident unitholders are 100 percent taxable income with no return of capital. Accordingly, the 2005 distributions should be reported as "Other income" and included in Box (26) of the T3 slip.

2005 summary of distributions for Canadian unitholders:

The table below summarizes, on a per unit basis, the taxability of cash distributions included on the 2005 T3 slips, which includes distributions with record dates from June 30, 2005 (the first record date subsequent to the trust conversion on May 31, 2005) to December 30, 2005.

2005 Cash Distribution Information for Canadian Unitholders (\$/unit)				
Record Date	Payment Date	Cash Distribution	Taxable Amount	Return of Capital Amount
Jun 30 2005	Jul 15 2005	0.26	0.26	0.00
Jul 29 2005	Aug 15 2005	0.26	0.26	0.00
Aug 31 2005	Sep 15 2005	0.26	0.26	0.00
Sep 30 2005	Oct 14 2005	0.26	0.26	0.00
Oct 31 2005	Nov 15 2005	0.31	0.31	0.00
Nov 30 2005	Dec 15 2005	0.31	0.31	0.00
Dec 30 2005	Jan 13 2006	0.31	0.31	0.00
Total per unit		1.97	1.97	0.00

How will the trust conversion affect my 2005 taxes?

Penn West Petroleum Ltd. converted to Penn West Energy Trust effective May 31, 2005 . Following the conversion, shareholders received three (3) units of Penn West Energy Trust (PWT.UN on the TSX) in exchange for each Penn West Petroleum Ltd. common share. This conversion will generally result in a shareholder resident in Canada realizing a capital gain (or a capital loss) which is equal to the amount the deemed capital disposition of \$84.77* exceeds (or is less than) the aggregate of the shareholder's adjusted cost base of the common shares which were ultimately exchanged for trust units and costs of disposition. The "Adjusted Cost Base" (ACB) of the investors' units will generally become the deemed common share proceeds divided by three (3). The first distribution of the Trust was July 15, 2005 .

* Capital disposition is based on the three day average share price prior to May 27th, the date of shareholder approval of the plan of arrangement.

General Tax Information for 2005 Cash Distributions

Unitholders are required to reduce the "Adjusted Cost Base" (ACB) of their Trust Units by an amount equal to the cumulative cash received from distributions during 2005 minus the amount reported as "Other Income" on the T3 slip. The ACB is used in calculating capital gains or losses on any subsequent disposition of Trust Units. Canadian resident unitholders must reduce their original cost base by subtracting the tax deferred (return of capital portion) received in a taxation year. If a Canadian taxpayer's ACB drops below zero during a taxation year, the negative amount is treated as a capital gain. Unitholders "re-set" their trust unit cost base to zero by paying a capital gains tax on the negative cost base portion.

Cash distributions generated from the Trust Units held within a Registered Retirement Savings Plan (RRSP), Registered Income Fund (RRIF) or Deferred Profit Savings Plan (DPSP) need not be reported on the 2005 Income Tax Return.

Disclaimer

This information letter is a general guideline and not intended to be legal advice to any particular holder or potential holder of Penn West. This information is not exhaustive of all possible Canadian income tax considerations.

Penn West unitholders should consult their own legal and tax advisers as to their particular tax consequences.