



PENN WEST ENERGY TRUST 2005 U.S. INCOME TAX INFORMATION

What is the taxability of Penn West's 2005 distributions for U.S. resident unitholders?

The following information is provided to assist individual U.S. resident unitholders in reporting 2005 Penn West distributions received on their Internal Revenue Service Form 1040, "U.S. Individual Income Tax Return" ("Form 1040"). This summary is of a general nature and is not intended to constitute legal or tax advice to any particular 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.

Penn West trust units held within a qualified retirement plan:

No amounts are required to be reported on Form 1040 if Penn West Trust units are held within a qualified retirement plan.

Penn West trust units held outside a qualified retirement plan:

In consultation with its U.S. tax advisors, Penn West believes that its trust units should be properly classified as equity in a corporation rather than debt, and that 2005 distributions paid to individual U.S. unitholders are 100% dividends with no return of capital. The dividend component is based on Penn West's current and accumulated earnings and profits determined in accordance with U.S. income tax principles. These dividends should be "qualified dividends" for U.S. federal income tax purposes subject to the reduced rate of tax (15%) applicable to long-term capital gains. Accordingly, the total amount of the distributions should be reported as a "qualified dividend" on Line 9b of Form 1040, unless the factual situation of the individual U.S. unitholder determines otherwise. Commentary on page 23 of the Form 1040 Instruction Booklet for 2005 provides guidance in making this determination.

Trust distributions are subject to a 15% Canadian withholding tax that is withheld and remitted on behalf of U.S. unitholders. Where trust units are held outside of a qualified retirement plan, the full amount of withholding tax paid may be used to offset a portion of the U.S. tax liability. The amount of withholding tax should be reported on Form 1116, "Foreign Tax Credit (Individual, Estate, or Trust)". Information regarding the amount of tax withheld in 2005 should be obtained from your broker or other intermediary. This information is not available to Penn West. In the unlikely event that distributions were subject to excess withholding tax, these amounts should be claimed as a refund from the Canada Revenue Agency no later than two years after the calendar year in which the excess amounts were withheld. Where trust units are held in a qualified retirement account, the withholding taxes cannot be offset against U.S. taxes otherwise payable.

Registered U.S. unitholders will receive an NR4 tax slip, "Statement of Amounts Paid or Credited to Non-residents of Canada," directly from CIBC Mellon that indicates the distributions paid and withholding tax deducted (in Canadian dollars). Individual U.S. unitholders who held their Penn West trust units through a broker or other intermediary should receive a Form 1099-DIV "Dividends and Distributions" prepared by their broker or other intermediary. Those preparing 1099-DIV tax forms are encouraged to make reference to the Ernst & Young QFC database where Penn West is identified as a "qualified foreign corporation".

2005 summary of distributions for U.S. unitholder:

The table below summarizes, on a per unit basis and prior to Canadian withholding tax, the taxability of the 2005 distributions paid by Penn West for the period May 31 to December 31, 2005:

2005 Cash Distribution Information for U.S. Unitholders (\$/unit)						
Record Date	Payment Date	Cash Distribution \$CAD	Exchange Rate	Cash Distribution \$US	Taxable Qualified Dividend \$US	Return of Capital Amount \$US
Jun 30 2005	Jul 15 2005	0.26	0.8193	0.2130	0.2130	0.00
Jul 29 2005	Aug 15 2005	0.26	0.8354	0.2172	0.2172	0.00
Aug 31 2005	Sep 15 2005	0.26	0.8434	0.2193	0.2193	0.00
Sep 30 2005	Oct 14 2005	0.26	0.8435	0.2193	0.2193	0.00
Oct 31 2005	Nov 15 2005	0.31	0.8375	0.2596	0.2596	0.00
Nov 30 2005	Dec 15 2005	0.31	0.8638	0.2678	0.2678	0.00
Total per unit		1.66	0.8411	1.3962	1.3962	0.00

*Source - Bank of Canada nominal noon exchange rate on the payment dates (\$CAD/\$USD)

What are the tax implications on distributions for non-Canadian residents?

The following is provided for general information only. Unitholders who are not residents of Canada for income tax purposes are encouraged to seek advice on distribution taxation from a qualified tax advisor in his/her country of residence.

A portion of monthly distributions (the taxable portion) made to non-residents of Canada is generally subject to a 25 percent withholding tax in accordance with the Income Tax Act of Canada. Some countries, such as the United States, have a tax treaty with Canada and are subject to a reduced withholding tax of 15 percent. Also, for US residents, Penn West distributions are considered "qualifying dividends" as Penn West Energy Trust is considered a "qualified foreign corporation" under the US Internal Revenue Code (IRC) and therefore US unitholders are entitled to a reduced (15%) tax rate in the United States.

On December 6th, 2004 the Government of Canada announced significant legislative changes to the non-resident withholding tax provisions that became effective January 1, 2005. A new 15 percent withholding tax will be applied to the trust distributions (income and return of capital) paid to non-residents of Canada. This withholding tax is not modified or overridden by any existing reciprocal tax treaties with Canada.

The effect of this new legislation on residents of the U.S. is that trust distributions will be subject to a 15% withholding tax. U.S. resident investors will currently qualify for a U.S. foreign tax credit on this withholding tax and will then be subject to the 15% tax rate on "qualifying dividends" from a "qualified foreign corporation".

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.