



Enhancement

Strength

Efficiency

Productivity

Sustainability

Durability

Strategy

Balance

Value

Reliability

Commitment

Focus



PrimeWest
Energy Trust

1600, 530 - 8th Avenue S.W.
Calgary, Alberta T2P 3S8

HIGHLIGHTS

Three Months Ended March 31 (Unaudited)

1998

1997

Sales Volumes

Crude Oil and NGL (bbl/d)	6,058	4,725
Natural Gas (Mcf/d)	49,179	40,254
BOE per day	10,976	8,750

Average Selling Price

Crude Oil and NGL (Cdn \$/bbl)	\$ 18.52	\$ 26.00
Natural Gas (Cdn \$/Mcf)	\$ 1.74	\$ 2.24
BOE per day (Cdn \$/BOE)	\$ 17.98	\$ 24.37

Operating Results (000's)

Revenues	\$ 17,764	\$ 19,192
Cashflow	\$ 4,746	\$ 9,626
Distributions	\$ 6,631	\$ 8,719
EBITDA	\$ 5,850	\$ 10,096
Debt Outstanding	\$ 77,661	\$ 11,484

Units Outstanding at End of Quarter 32,962 24,913

Average Number of Units for Cash Distribution Purposes 27,718 24,913

Three Months Ended March 31 (Unaudited)

1998

1997

(\$/BOE)

Revenue	\$ 17.98	\$ 24.37
Royalties	\$ 3.85	\$ 5.46
Operating Expenses	\$ 6.95	\$ 4.56
Netback	\$ 7.18	\$ 14.35

FIRST QUARTER HIGHLIGHTS

- During the first quarter, \$0.24 per trust unit was distributed to unitholders.
- Production of oil, natural gas and NGL's during the first quarter was 25% higher than the 1997 average for the same period.
- Cash flow did not fully support distributions. Commodity prices during the first quarter were weak, resulting in a \$0.07 decline in expected cash flow per unit. Prices received for oil and NGL's declined \$7.48 per barrel from the 1997 first quarter average.
- Cash flow was also lower as a result of higher than anticipated operating costs during the first quarter. Operating costs were \$6.95 per BOE compared to \$6.41 per BOE for the year ended December 31, 1997. Operating costs are now expected to average \$6.30 per BOE in 1998. (See "Management's Goal To Reduce Operating Costs" for more detail).
- PrimeWest's credit line was increased to \$120 million from \$80 million due to PrimeWest's increasing asset base, resulting from our successful 1997 asset enhancement program and the property acquisition in March.
- PrimeWest successfully closed a \$59.1 million equity financing and acquired \$60.2 million in new distribution enhancing properties in the first quarter.

PrimeWest is a high-quality investment product offering unique features:

1. Monthly cash distributions derived from oil and natural gas properties.
2. A high rate of return.
3. Sound risk management strategies that increase the reliability of cash distributions.
4. Advantageous tax structure.

PrimeWest is based in Calgary, Alberta, the heart of the western Canadian oilpatch. PrimeWest is listed on The Toronto Stock Exchange, symbol PWI.UN.



DISTRIBUTION ENHANCEMENT ACTIVITIES

- Capital expenditures totalled \$64.4 million in the first quarter; \$61.1 million was spent to acquire new producing properties and \$3.3 million was spent on property enhancement activities.
- PrimeWest renewed reserves and production by acquiring 9.7 million barrels of oil equivalent (BOE) in the first quarter and replacing over 200% of 1998 forecast production at industry leading low cost. (See "Southeast Alberta Acquisition" for more detail).
- Development activities consisted primarily of well work overs to enhance production. This resulted in production gains of almost 875 BOE per day in the first quarter.
- As a result of strengthened natural gas markets late in the quarter, PrimeWest sold forward 9 million cubic feet per day for summer delivery or about half of its available natural gas production for short term sale (or approximately 20% of its total gas production) at an average price of \$1.98/mcf. This price represents a significant premium to current summer prices and will help offset lower oil prices.

DISTRIBUTION OUTLOOK

- PrimeWest has revised its 1998 distribution forecast to \$1.08 per trust unit, down from \$1.20 per unit. This reduction in distributions is based on the prevailing weakness in oil price (WTI average of US\$17.00 for 1998), average natural gas prices of \$1.95 per Mcf, and higher than anticipated operating expenses (\$6.30 per BOE for 1998).
- PrimeWest expects production to average 13,100 BOE per day in 1998 with an exit rate of 14,300 BOE per day at the end of 1998. Production will rise throughout the year primarily as a result of planned property enhancement activities and the recent Southeast Alberta acquisition, which will have its full daily impact on production beginning in the second quarter. (During the first quarter, this acquisition only contributed to one month of production).
- During 1998, PrimeWest plans to spend up to \$16 million on property enhancement activities. As a result of the oil price weakness, enhancement activities have been focused on natural gas property development.

Signed on behalf of the Board,

A handwritten signature in black ink, appearing to read 'KENT J. MACINTYRE', with a horizontal line extending to the right.

KENT J. MACINTYRE

Director

Vice Chairman, CEO

INDUSTRY LEADING ACQUISITION COSTS IN FIRST QUARTER

PrimeWest pursues acquisitions as an opportunity to renew the cycle of asset enhancement and distribution reliability. On March 3, 1998, PrimeWest announced the establishment of a new core area by acquiring oil and gas properties in Southeast Alberta. In two separate transactions, PrimeWest acquired 9.7 million BOE of established reserves (6.5 million BOE of oil and natural gas liquids and 3.2 million BOE of natural gas) for a price of \$60.2 million. These acquisitions were financed with an equity issue of 8 million trust units at a price of \$7.80 per unit. After adjusting for processing income, these reserves were acquired at a low cost of \$5.19 per BOE compared to the industry median of \$6.50 per BOE in the first quarter of 1998. According to Sayer Securities, a recognized industry source on Western Canadian oil and gas industry acquisition costs, PrimeWest achieved the industry's lowest oil property acquisition cost and the second lowest natural gas property acquisition cost in the first quarter of 1998. In the fourth quarter of 1997, PrimeWest also had the industry's lowest acquisition costs with its Jumping Pound acquisition.

Consolidated Balance Sheets

	As At March 31 1998 (Unaudited) \$	As At December 31 1997 (Audited) \$
ASSETS		
Current Assets		
Cash & Short-Term Investments	29,176,335	10,713,258
Accounts Receivable	16,753,272	14,082,138
Prepaid Expenses	1,294,010	1,130,986
	<u>47,223,617</u>	<u>25,926,382</u>
Cash Reserved for Site Restoration & Reclamation	2,219,246	1,738,034
Capital Assets (Net)	315,692,863	258,100,470
	<u>365,135,726</u>	<u>285,764,886</u>
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable & Accrued Liabilities	13,049,414	13,353,224
Accrued Acquisition Payable	25,025,627	-
Accrued Distributions to Unitholders	2,637,005	9,730,514
Due to Related Company	1,576,915	891,124
Current Portion of Long-Term Debt	106,437	106,437
	<u>42,395,398</u>	<u>24,081,299</u>
Long-Term Debt	77,554,188	66,722,719
Site Restoration & Reclamation Provision	2,260,088	1,597,034
	<u>122,209,674</u>	<u>92,401,052</u>
Unitholders' Equity		
Net Capital Contributions	292,173,627	232,987,334
Accumulated Income	2,255,432	5,183,591
Accumulated Cash Distributions	(50,995,662)	(44,364,646)
Dividends	(507,345)	(442,445)
	<u>242,926,052</u>	<u>193,363,834</u>
	<u>365,135,726</u>	<u>285,764,886</u>

Industry Leading Acquisition Costs In First Quarter (continued)

In addition to being accretive to distributions and providing long term value to unitholders, the Southeast Alberta acquisitions provide additional benefits to PrimeWest unitholders:

- Establishment of a new strategic base for future reserve growth through property enhancement. Enhancing assets through capital development has been a unique and key element of PrimeWest's success in maintaining current and future distributions.
- Capital preservation is achieved for Unitholders through property acquisition and enhancement. This is key to maintaining PrimeWest as a going concern. The Southeast Alberta acquisition alone replaces over 200 percent of 1998 estimated production.
- The related equity financing increases PrimeWest's financial flexibility by reducing relative debt levels and increasing PrimeWest's credit facility to \$120 million. This increased flexibility will allow PrimeWest to pursue acquisition and capital development programs on behalf of unitholders.

Through this acquisition, PrimeWest has again proved that it is focused on maintaining strong reliable distributions to unitholders by acquiring properties at low cost with the objective of future enhancement.

The significance of this acquisition is immediate and will have a positive impact on PrimeWest through the last three quarters of 1998.



Consolidated Statements of Income and Cash Available for Distribution

	For the three months ended March 31, 1998 (Unaudited) \$	For the three months ended March 31, 1997 (Unaudited) \$
REVENUES		
Sales of Oil, Natural Gas, Natural Gas Liquids & Sulphur	17,764,371	19,134,769
Crown & Other Royalties	(3,803,614)	(4,301,731)
Other Income	94,293	20,412
	<u>14,055,050</u>	<u>14,853,450</u>
EXPENSES		
Operating	6,868,267	3,592,449
General & Administrative	1,169,213	877,026
Management Fees	289,701	405,437
Interest	1,103,840	470,128
Depletion, Depreciation & Amortization	7,552,189	7,382,616
	<u>16,983,210</u>	<u>12,727,656</u>
Net (Loss)/Income for the Period	<u>(2,928,160)</u>	<u>2,125,794</u>
Add Back (Deduct) Amounts		
to Reconcile to Cash Available for Distribution:		
Depletion, Depreciation & Amortization	7,552,189	7,382,616
Reserve to Fund Future Production Costs	1,951,518	(818,517)
Management Fees Paid by the Issuance of Trust Units	122,448	117,556
	<u>9,626,155</u>	<u>6,681,655</u>
Cash Available For Distribution	<u>6,697,995</u>	<u>8,807,449</u>
Cash Available to Trust Unitholders (99%)	<u>6,631,015</u>	<u>8,719,375</u>
Cash Available for Distribution per Trust Unit	<u>0.24</u>	<u>0.35</u>
Trust Units Issued and Outstanding	32,962,562	24,912,500
Weighted Average Number of Trust Units Outstanding	25,049,503	24,910,556
Number of Trust Units for Cash Distribution Purposes	27,718,117	24,912,500

MANAGEMENT'S GOAL TO REDUCE OPERATING COSTS

PrimeWest's primary focus over the coming months will be to reduce operating costs to more acceptable levels. During the first quarter, operating costs averaged \$6.95 per barrel of oil equivalent (BOE) compared to \$6.41 per BOE for the full year of 1997.

We have encountered the majority of higher costs in properties where PrimeWest does not control operations. Costs at these non-operated properties are 28% percent higher when compared to the properties in which PrimeWest does control operations. To gain control of these costs, PrimeWest has begun a process of reviewing the operations of these facilities. Our goal is to either place pressure on the operator to reduce costs by identifying inefficiencies or to gain complete control of operations by working with other stakeholders in the area.

For example, during the first quarter, PrimeWest, in cooperation with the primary stakeholders in the area, gained control of the operations at the Lone Pine Creek gas gathering system. As a result, PrimeWest has identified upside opportunities and has projected at least a 5% cost reduction at this facility.

Lower operating costs over the long term means increased and more reliable distributions to unitholders. As an oil and gas field operator, PrimeWest knows that the opportunity to reduce operating expenses means improved distributions to unitholders.



Consolidated Statements of Changes in Financial Position

	For the three months ended March 31, 1998 (Unaudited) \$	(Restated) For the three months ended March 31, 1997 (Unaudited) \$
OPERATING ACTIVITIES		
Net Income (Loss) for the Period	(2,928,160)	2,125,794
Add: Items not Requiring an Outlay of Cash		
Depletion, Depreciation & Amortization	7,552,189	7,382,616
Funds from Operations	4,624,029	9,508,410
Change in Non-Cash Working Capital	22,573,448	6,442,446
	<u>27,197,477</u>	<u>15,950,856</u>
FINANCING ACTIVITIES		
Proceeds from Issue of Trust units (Net of Costs)	59,186,293	100,222
Cash Distributions to Unitholders	(6,631,015)	(8,719,375)
Dividends	(64,900)	(88,074)
Increase (Decrease) in Long-Term Debt	10,831,469	(2,743,778)
Change in Non-Cash Working Capital	(7,093,509)	(2,236,625)
	<u>56,228,338</u>	<u>(13,687,630)</u>
INVESTING ACTIVITIES		
Expenditures on Capital Assets	(3,302,265)	(1,054,979)
Acquisition of Oil & Gas Assets	(61,143,969)	(26,777,605)
Proceeds on Disposal of Oil & Gas Assets	43,654	918,028
Cash Utilized (Reserved) for Future Site Restoration & Reclamation	(481,212)	40,295
Expenditures on Site Restoration & Reclamation	(78,946)	(40,295)
Change in Non-Cash Working Capital	-	26,244,572
	<u>(64,962,738)</u>	<u>(669,984)</u>
Increase in Cash & Short Term Investments for the Period	18,463,077	1,593,242
Cash & Short-Term Investments, Beginning of Period	10,713,258	7,122,387
Cash & Short-Term Investments, End of Period	<u>29,176,335</u>	<u>8,715,629</u>

INVESTOR SERVICES

Distribution Reinvestment Plan and Optional Trust Unit Purchase Plan

On February 25, 1998, PrimeWest introduced a Distribution Reinvestment Plan and Optional Trust Unit Purchase Plan for all Canadian unitholders.

These plans provide investment features which many of our Unitholders have inquired over the past year. Primewest believes these plans will add greater convenience to Unitholders by providing them with an efficient way to invest further in PrimeWest.

Participants do not pay any costs associated with either of these plans including the payment of brokerage commissions or other expenses. The programs supporting the Distribution Reinvestment Plan and Optional Trust Unit Purchase Plan are now ready to be implemented. To receive further information regarding these programs please contact us using our new toll free telephone number, or by filling out the card enclosed in the recently distributed Annual Report.

NEW TOLL FREE SERVICE

Unitholders can reach us through our new toll-free number 1-877-968-7878. Unitholders can receive information on PrimeWest including future and historical distribution and tax information through this service.

INCOME TAX INFORMATION

Cash Distributions paid to Unitholders of PrimeWest Energy Trust for royalties earned for the period January 1 to March 31, 1998 are not expected to be taxable. Actual tax amounts will be calculated and distributed in early 1999.



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