



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 September 30 (Unaudited)

1998

1997

Sales Volumes

Crude Oil and NGL (bbl/d)	7,450	5,062
Natural Gas (Mcf/d)	49,950	43,310
BOE per day	12,445	9,393

Average Selling Price

Crude Oil and NGL (Cdn \$/bbl)	\$ 16.49	\$ 23.07
Natural Gas (Cdn \$/Mcf)	\$ 1.76	\$ 1.57
Per BOE (Cdn \$/BOE)	\$ 16.92	\$ 19.81

Operating Results (000's)

Revenues	\$ 19,377	\$ 17,117
Operating Cash Flow	\$ 5,774	\$ 7,037
Cash Available for Distribution	\$ 6,000	\$ 7,557
EBITDA	\$ 6,903	\$ 7,435
Debt Outstanding	\$ 77,030	\$ 50,991

Units Outstanding at September 30

32,999

24,938

Average Number of Units for Quarter

32,983

24,935

Three Months Ended September 30 (Unaudited)

1998

1997

(\$/BOE)

Revenue	\$ 16.92	\$ 19.81
Royalties, net of ARTC	\$ (2.93)	\$ (3.44)
Operating Expenses	\$ (6.85)	\$ (6.45)
Netback	\$ 7.14	\$ 9.92

THIRD QUARTER HIGHLIGHTS

- PrimeWest Energy Trust distributed \$0.18 per Trust unit to Unitholders during the third quarter, based on operating cash flow of \$0.18 per Trust unit.
- During the third quarter, PrimeWest embarked on an asset disposition program to dispose of eleven non-core properties. On October 19, 1998, PrimeWest announced it had entered into agreements to sell 1.57 million barrels of oil equivalent (BOE) of established (proven plus half probable) reserves for \$11.5 million. The sale price of these assets represents an attractive value to the Trust (\$7.31 per BOE). Upon closing the transactions, sale proceeds reduce long term debt by \$0.35 per unit, while only reducing distributions by approximately \$0.02 per unit on an annualized basis.
- Production during the third quarter was lower than our previous quarter. Production declined primarily due to the sale of producing properties in July, and production downtime at Laprise Creek to undertake compressor upgrades to improve gas deliverability.
- Operating costs averaged \$6.85 per BOE in the third quarter. Operating expenses are expected to continue trending lower in the fourth quarter as a result of the disposal of higher operating cost properties and increased utilization at the East Crossfield Gas Plant.

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

- PrimeWest's non-core asset sales since June 1998 will reduce debt by almost \$20 million. Once completed, the properties will have been sold at values higher than their expected long run value to the Trust. These dispositions not only improve the focus of our property portfolio but also improve the Trust's financial flexibility. In the future, PrimeWest plans to redeploy this capital into acquisitions and enhancement opportunities that should create higher returns and greater future distributions for our Unitholders.
- During the third quarter, our technical staff laid the foundation for strong fourth quarter production. Most of our efforts were centered on the preparatory work for capital activity that will take place in the fourth quarter. Late in the third quarter, we commenced a 10 well in-fill drilling program at Grand Forks, the production from which will commence in the fourth quarter.
- Also in the fourth quarter, PrimeWest is drilling one horizontal re-entry well in the Garrington Elkton M pool (100% working interest) and drilling one horizontal re-entry well at Kaybob (20% working interest). Following up on last summer's drilling success at Lone Pine Creek (East Crossfield), we are currently shooting a 25 square mile 3-D seismic program (average 65% working interest) to confirm five horizontal drilling locations previously identified through 2-D seismic data. We expect two horizontal wells will be drilled shortly thereafter.
- Our capital initiatives are the building blocks of further improvements in production and distributions. PrimeWest's continuing ability to record superior returns on its property enhancement program will not only offset some of the recent weakness experienced in the commodity markets, but is the basis of our ability to provide Unitholders with superior long term returns through unit distributions.

DISTRIBUTION OUTLOOK

- We anticipate a stronger fourth quarter as a result of higher commodity prices, in particular higher natural gas prices, and increased oil and natural gas production resulting from our capital development program. PrimeWest anticipates a 1998 production exit rate in excess of 13,000 BOE per day, up 4.5% from the third quarter average production rate.
- Looking out to 1999, we see continued production growth from our inventory of property enhancement projects. Although we are not projecting stronger WTI oil prices for 1999, we expect significantly stronger natural gas pricing and improved medium crude quality differentials for 1999. Our larger base of production coupled with our ongoing capital program and strong gas markets will set the stage for an improved distribution outlook in 1999.

Signed on behalf of the Board,



KENT J. MACINTYRE

*Director
Vice Chairman, CEO
November 5, 1998*



Consolidated Balance Sheets

As At September 30
1998

As At December 31
1997

(Unaudited) 000\$

ASSETS

Current Assets

Cash	–	10,713
Accounts Receivable	17,895	14,083
Prepaid Expenses	2,669	1,131

20,564 25,927

Cash Reserved for Site Restoration & Reclamation

2,117 1,738

Capital Assets (Net)

299,743 258,100

322,424 285,765

LIABILITIES AND UNITHOLDERS' EQUITY

Current Liabilities

Accounts Payable & Accrued Liabilities	18,335	13,353
Accrued Distributions to Unitholders	1,980	9,731
Due to Related Company	650	891
Current Portion of Long-Term Debt	106	106

21,071 24,081

Long-Term Debt

77,030 66,723

Site Restoration & Reclamation Provision

3,493 1,597

101,594 92,401

Unitholders' Equity

Net Capital Contributions	292,332	232,987
Accumulated Income (Loss)	(6,666)	5,184
Accumulated Cash Distributions	(64,191)	(44,365)
Accumulated Dividends	(645)	(442)

Total Unitholders' Equity

220,830 193,364

322,424 285,765

MANAGING PRIMEWEST AS A GOING CONCERN – A MESSAGE FROM KENT MACINTYRE

Over the past two years, we have managed PrimeWest Energy Trust as a "going concern" by employing the unique strategy of replacing reserves and growing production through the acquisition and enhancement of oil and gas properties. Our strategy is unique amongst royalty trusts because we control almost all our enhancement activities through "hands on" management of our properties – few royalty trusts can make this claim.

Our growth strategy has been a success. Since our IPO in October 1996, we have increased production from 7,500 BOE per day to a projected 1998 exit rate in excess of 13,000 BOE per day. To fuel our growth, we have relied on both receptive debt and equity markets to source new capital. However, for the time being, turmoil in North American equity markets has eliminated reasonable access to equity capital for virtually all royalty trusts. Therefore, the key to our future success is to maintain a prudent balance sheet to provide financial flexibility to pursue property enhancement activities that will fuel distribution growth.

Over the past several months, PrimeWest has been actively managing and rationalizing its asset portfolio. This activity has positioned our balance sheet to support our long-term property acquisition and enhancement strategy. Since June of 1998, the Trust has entered into agreements to sell approximately \$20 million in non-core assets for an average established reserve price of \$7.63 per BOE. In turn, we will have reduced debt by almost 25% or \$0.60 per Trust unit, while at the same time minimizing the impact on future distributions.

(continued on next page)

TSE Trading Symbol PWI.UN



Consolidated Statements of Income and Cash Available for Distribution

(Unaudited) 000\$	Three Months Ended		Nine Months Ended	
	Sept. 30, 1998	Sept. 30, 1997	Sept. 30, 1998	Sept. 30, 1997
REVENUES				
Sales of Products	19,377	17,117	56,660	53,227
Crown & Other Royalties, Net of ARTC	(3,360)	(2,973)	(10,116)	(10,545)
Interest & Other Income	77	47	100	101
	16,094	14,191	46,644	42,783
EXPENSES				
Operating	7,841	5,573	22,881	14,627
General & Administrative	1,047	836	3,604	2,598
Management Fees	303	347	916	1,082
Interest	1,216	523	3,496	1,395
Depletion, Depreciation & Amortization	9,901	7,103	27,596	21,652
	20,308	14,382	58,493	41,354
Net (Loss)/Income for the Period	(4,214)	(191)	(11,849)	1,429
Add Back (Deduct) Amounts to Reconcile to Distribution:				
Proceeds on Disposition of Properties	888	131	9,238	1,018
Repayment of Long-Term Debt	(404)	-	(4,608)	(543)
Depletion, Depreciation & Amortization	9,901	7,103	27,596	21,652
Contribution to Reclamation Fund	(258)	-	(677)	-
Reserve to Fund Future Costs	-	389	-	-
Management Fees Paid through Units	87	125	326	361
	10,214	7,748	31,875	22,488
Cash Available for Distribution	6,000	7,557	20,026	23,917
Cash Available to Trust Unitholders (99%)	5,940	7,481	19,826	23,678
Cash Available for Distribution per Trust Unit	0.18	0.30	0.64	0.95
Trust Units Issued and Outstanding	32,998,617	24,937,518	32,998,617	24,937,518
Average Number of Trust Units Outstanding	32,983,479	24,935,614	30,977,984	24,923,176

Managing PrimeWest As A Going Concern – A Message from Kent MacIntyre (continued)

As we exit 1998, our production should exceed 13,000 BOE per day compared to an exit rate of just under 10,000 BOE per day at the end of 1997. Concurrent with our increased base of production, our debt to cash flow ratio is projected to average less than a multiple of 2 years, compared to 2.4 years at the end of 1997. In addition, PrimeWest will possess undrawn credit lines in excess of \$50 million.

This improved financial position combined with higher production and cash flow will ensure that PrimeWest will be able to continue to capitalize on its growth strategy in 1999 and beyond, to provide an improving long term distribution profile to our Unitholders.



Consolidated Statements of Changes in Financial Position

	Nine Months Ended Sept. 30, 1998	Nine Months Ended Sept. 30, 1997
(Unaudited) 000\$		
OPERATING ACTIVITIES		
Net Income (Loss) for the Period	(11,849)	1,429
Add: Items not Requiring an Outlay of Cash		
Depletion, Depreciation & Amortization	27,596	21,652
Funds from Operations	15,747	23,081
Change in Non-Cash Working Capital	(611)	463
	15,136	23,544
FINANCING ACTIVITIES		
Proceeds from Issue of Trust Units (Net of Costs)	59,345	305
Cash Distributions to Unitholders	(19,826)	(23,678)
Dividends	(203)	(240)
Increase in Long-Term Debt	10,307	36,869
Change in Non-Cash Working Capital	(7,750)	(3,475)
	41,873	9,781
INVESTING ACTIVITIES		
Expenditures on Capital Assets	(12,170)	(7,417)
Acquisition of Oil & Gas Assets	(63,726)	(34,589)
Proceeds on Disposal of Oil & Gas Assets	9,238	1,041
Cash Utilized (Reserved) for Future Site Restoration	(379)	87
Expenditures on Site Restoration & Reclamation	(685)	(87)
Change in Non-Cash Working Capital	-	6,747
	(67,722)	(34,218)
Increase (Decrease) in Cash for the Period	(10,713)	(893)
Cash, Beginning of Period	10,713	7,122
Cash, End of Period	-	6,229

CROSSFIELD OPERATING COST EXPECTED TO TREND LOWER

Over the past year, we have kept our Unitholders informed about our efforts to reduce operating costs at the East Crossfield natural gas processing plant where we process approximately 25% of our sales gas. Our efforts to manage these high costs are finally paying off. Starting in the fourth quarter, we will begin to realize operating cost reductions at East Crossfield, which will prevail for the foreseeable future.

Over the summer, we identified and secured incremental natural gas processing volumes from both third parties and from our properties. Our objective was to develop a larger base of natural gas production to share in the primarily fixed East Crossfield plant costs. A good portion of this incremental natural gas, approximately 15 mmcf per day, has begun flowing to the plant. We have entered into a firm processing arrangement for an additional 10 mmcf per day that is expected to begin flowing by the beginning of December 1998.

As a result of these volumes, plant utilization will increase from about 50%, as experienced during 1997 and in the third quarter, to about 75% by the end of 1998. This higher utilization will reduce PrimeWest's operating costs at the East Crossfield and Lone Pine Creek properties by 20-30% by the end of the year.

While these operating cost reductions will not have a significant positive impact on 1998 distributions, we expect to realize distribution improvements next year as the reductions impact our 1999 operating cost performance.



TAX STATUS OF DISTRIBUTIONS

One of the most frequently asked questions from our investors is: "What portion of the 1998 distribution paid to Unitholders will be taxable?"

We currently forecast that no portion of the 1998 Trust distribution will be taxable. This is the result of the Trust possessing sufficient tax shelter to protect Unitholder distributions, which have been impaired by weak commodity prices during 1998.

PrimeWest will be compiling the detailed tax information following our year end, December 31, 1998. At this time, PrimeWest will be able to confirm the exact income tax situation for our Unitholders. Should a portion of the 1998 distributions be determined to be taxable, this information will be reported in Box 26 of the T3 slip each Unitholder will receive no later than March 31, 1999. Please note that if our current projections of no taxable income for 1998 are correct, T3 slips will not be issued.

It should be noted, however, that non-taxable distributions reduce the Unitholders' cost base, potentially creating a capital gain or loss upon eventual disposition of the units.

DISTRIBUTION HISTORY

Record Date	Payment Date	Amount	Taxation Year
December 31, 1996	January 15, 1997	\$0.44	1997
March 31, 1997	April 15, 1997	\$0.35	1997
June 30, 1997	July 15, 1997	\$0.30	1997
September 30, 1997	October 15, 1997	\$0.30	1997
December 31, 1997	January 15, 1998	\$0.39	1998
January 31, 1998	February 15, 1998	\$0.08	1998
February 28, 1998	March 15, 1998	\$0.08	1998
March 31, 1998	April 15, 1998	\$0.08	1998
April 30, 1998	May 15, 1998	\$0.08	1998
May 31, 1998	June 15, 1998	\$0.08	1998
June 30, 1998	July 15, 1998	\$0.06	1998
July 31, 1998	August 15, 1998	\$0.06	1998
August 31, 1998	September 15, 1998	\$0.06	1998
September 30, 1998	October 15, 1998	\$0.06	1998
TOTAL DISTRIBUTIONS since December 1996		\$2.42	

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