

F I R S T Q U A R T E R 1 9 9 9

PrimeWest Energy Trust records higher cash flow and volumes, declares extra distribution

Calgary, May 4, 1999 -- PrimeWest Energy Trust (PrimeWest) today announced operating and financial results for the first quarter ended March 31, 1999, as well as an extra distribution of \$0.02 per trust unit, payable on June 15, 1999.

1999 first-quarter highlights

- Cash flow from operations was \$0.22 per trust unit for the quarter, compared with \$0.17 per trust unit for the corresponding period in 1998. Based on cash available for distribution to unitholders of \$0.21 per trust unit, \$0.18 was distributed during the quarter and \$0.02 per trust unit will be distributed on June 15, 1999. The remaining \$0.01 per trust unit will be held in reserve.
- Production volumes increased 13 percent, to 12,387 barrels of oil equivalent per day, from 10,976 barrels of oil equivalent per day recorded in the first quarter of last year.
- Average selling prices for all products combined rose marginally, compared with the same period in 1998, to \$18.07 per barrel of oil equivalent. Prices received for crude oil and natural gas liquids fell by 17 percent from first-quarter 1998 levels, reflecting an average West Texas Intermediate (WTI) crude oil price of \$US13.10 for the first three months of 1999, as compared with \$US15.95 for the same period in 1998. The average price received for natural gas rose by 28 percent, to \$2.23 per thousand cubic feet (Mcf), for the quarter ended March 31, 1999, compared with the same period in 1998.
- Newly connected third-party volumes boosted throughput at the East Crossfield gas plant, bringing utilization up to about 60 percent of total capacity. Increased utilization reduces PrimeWest's share of plant operating costs. This was reflected in the first-quarter results; this initiative, among others, reduced per-unit operating costs by seven percent, or \$0.51 per barrel of oil equivalent, compared with the same period in 1998. Additional third-party volumes, representing up to 10 percent of plant utilization were brought on stream at the end of April 1999.

PrimeWest Energy Trust is a growing Calgary-based oil and gas royalty trust, actively managed for the benefit of unitholders. The trust is engaged in the acquisition, development, production and sale of crude oil, natural gas and natural gas liquids in Western Canada.



- In February, PrimeWest updated its distribution estimate for 1999 to \$1.10 per trust unit, up 34 percent from total distributions in 1998. The updated distribution estimate is based on an anticipated 1999 average production of 12,975 barrels of oil equivalent per day, as compared with 12,134 barrels of oil equivalent per day in 1998. The estimate assumes a WTI reference price of \$US14.65 per barrel for crude oil, and a plant gate price of \$2.30 per Mcf for natural gas.
- Beginning in April 1999 (with a payment date of May 15, 1999), PrimeWest's monthly cash distribution was increased by \$0.01 per trust unit, from \$0.06 to \$0.07. The increase reflects continuing strength in natural gas prices, and improvement in crude oil prices. A special distribution of \$0.02 has been declared, payable June 15, 1999. The ex-distribution date is May 27, 1999 and the record date is May 31, 1999. This distribution reflects management's confidence in meeting its \$1.10 full-year 1999 distribution estimate.

Operating highlights

For the three months ended March 31,	1999	1998	Change
Daily sales volumes			
Crude oil and natural gas liquids (barrels)	7,496	6,058	24%
Natural gas (thousand cubic feet)	48,913	49,179	(1%)
Total (barrels of oil equivalent)	12,387	10,976	13%
Average selling prices			
Crude oil and natural gas liquids (\$/bbl)	15.34	18.52	(17%)
Natural gas (\$/Mcf)	2.23	1.74	28%
Operating netback (\$/boe)			
Revenues	18.07	17.98	1%
Royalties, net of ARTC	(2.89)	(3.76)	(23%)
Operating expenses	(6.44)	(6.95)	(7%)
Operating netback	8.74	7.27	20%

Financial highlights

(thousands of dollars, except per-boe and per-trust-unit)

For the three months ended March 31	1999	1998	Change
Cash flow from operations	7,175	4,745	51%
per boe	6.44	4.80	34%
per trust unit	0.22	0.17	29%
Revenues, net of royalties	16,924	14,047	20%
per boe	15.18	14.22	7%
per trust unit	0.51	0.51	-
Operating expenses	7,180	6,868	5%
per boe	6.44	6.95	(7%)
per trust unit	0.22	0.25	(12%)
G&A expenses and management fees	1,588	1,459	9%
per boe	1.42	1.47	(3%)
per trust unit	0.05	0.05	-
Financing costs	1,139	1,104	3%
per boe	1.02	1.12	(9%)
per trust unit	0.03	0.04	(25%)
Cash distributed to unitholders	5,948	6,630	(10%)
per boe	5.33	6.71	(21%)
per trust unit	0.18	0.24	(25%)

(thousands of dollars)

	March 31, 1999	December 31, 1998
Net debt (long term debt less working capital)	74,515	70,637
Net debt as a percentage of total market capitalization	27.3%	29.8%

1999 first quarter financial performance

▪ Revenues increased by 13 percent, compared with the same period in 1998, primarily reflecting increased production volumes. Higher production volumes reflect property-enhancement activities, as well as incremental volumes resulting from the Ricinus-for-Niton property exchange completed in March 1999.

First quarter 1999 also reflects a full three months of production from the Southeastern Alberta area, acquired in March 1998, as compared with only one month of production from the area recorded for the same period in 1998.

- Royalties averaged 16 percent for the first quarter of 1999, compared with 21 percent in 1998. This reflects lower royalty rates on the Grand Forks property relative to PrimeWest's other properties, as well as lower crude oil prices. The Alberta Royalty Tax Credit, generated from eligible drilling activity in 1998, was \$0.2 million for the period ended March 31, 1999, as compared with \$0.09 million for the same period in 1998.
- On a per-barrel-of-oil-equivalent basis, operating expenses were \$6.44 for the quarter, a reduction of \$0.51, or seven percent, from the corresponding period in 1998. On this basis, general and administrative expenses and financing costs declined by seven and nine percent respectively, compared with the first quarter of 1998.
- Capital expenditures, net of property dispositions, totalled \$1.1 million during the quarter. Investment in the enhancement program was \$3.2 million, and property acquisitions were \$1.4 million. Proceeds from property dispositions were \$3.5 million. PrimeWest completed an asset swap in March, whereby it exchanged various small interests in a number of non-operated producing properties in the Niton area of west-central Alberta, for a 53-percent PrimeWest-operated interest in the Ricinus Cardium Unit No. 2.
- Long-term debt including current portion at March 31, 1999 was \$77.8 million (\$2.36 per unit), up six percent from \$73.1 million (\$2.21 per unit) at year-end 1998. Debt increased in the quarter due to net capital expenditures and an increase in working capital during the quarter.
- Expenditures, totalling \$1.0 million, incurred in bids to acquire the outstanding trust units of two smaller conventional oil and gas royalty trusts, were expensed in 1999. The book value of investments held in connection with these bids is currently \$3.9 million, with an original cost of \$3.2 million. Distribution income and realized capital gains of \$0.7 million have been recorded as an offset to the expenses incurred. As at May 3, 1999 the investments had a market value of approximately \$4.8 million.
- PrimeWest's ratio of current debt to forecasted 1999 distributions of \$1.10 per trust unit is 2.1 times.

“We are committed to maintaining an operating and financial foundation of stability for our unitholders,” said Vice-chairman and Chief Executive Officer, Kent MacIntyre. “We want unitholders to have confidence that their trust is growing and that their cash distributions are protected.”

“With this in mind, we have recorded improvements in the main business drivers that we can influence -- increasing production and trimming per-volume-unit operating costs. We’ve also maintained a conservative balance sheet, to enable us to acquire additional properties when the time is right. And, we’ve built downside distribution protection through our hedging program.”

PrimeWest’s hedging strategies to stabilize and enhance cash distributions

To mitigate a portion of the risk associated with fluctuations in commodity prices, foreign exchange rates and interest rates, PrimeWest manages these risks using hedging activities. These activities are measured against criteria established under a commodity risk-assessment and management program, which is regularly reviewed by the board of directors. They aim to stabilize and enhance cash distributions to trust unitholders.

- During the quarter, PrimeWest entered into four new crude oil financial hedging transactions that provide downside price protection for the remainder of the year on up to 3,000 barrels per day – about one-half of crude oil production -- with price caps on 1,500 barrels of oil per day. The rest of PrimeWest’s crude oil production is unhedged, permitting full participation in future price increases.
- PrimeWest has hedged approximately 30 percent of its natural gas sales for the summer term. At this time, PrimeWest has chosen to remain fully unhedged on its natural gas sales for the period beginning November 1, 1999. Management believes that this is the most prudent risk-management approach to take, given current expectations of a potential supply shortage for natural gas heading into the winter of 1999/2000. PrimeWest will continue to monitor natural gas market conditions, in order to make appropriate risk-management decisions for the period after November 1, 1999.
- First-quarter 1999 results include net hedging income of \$0.36 million, compared with \$0.15 million for the same period in 1998.

Distribution sensitivities (1999)

(dollars per unit)	Unhedged	Hedged *
A change of \$US1.00 per barrel WTI oil price		
When WTI is greater than \$16.50	0.11	0.10
When WTI is \$US14.50 to \$16.50	0.11	0.11
When WTI is less than \$US14.50	0.11	0.07
A change of \$0.10 per Mcf in natural gas price	0.05	0.04
A change of \$0.01 in the Cdn/US exchange rate	0.02	0.01
A change of one percent in the interest rate	<u>0.02</u>	<u>0.01</u>
<i>* Taking into account 1999 hedging activities</i>		

PrimeWest's Year 2000 preparations continue as planned. Head-office remediation will be completed in the second quarter, with implementation and testing of the final accounting system update. Testing will be conducted on key field systems during maintenance turnarounds. PrimeWest continues to develop contingency plans in three key areas: field operations, product-delivery interruption, and key financial functions; as well as assess the preparedness of key third parties.

On behalf of the Board of Directors:

Kent J. MacIntyre
Vice-chairman and
Chief Executive Officer

D. Hugh Gillard
President and
Chief Operating Officer

The annual general and special meeting of unitholders of PrimeWest will take place in the Lakeview room of the Westin Calgary on Tuesday, May 18, 1999, at 3:00 p.m.

PrimeWest Energy Trust
Consolidated Balance Sheets (Unaudited)

(thousands of dollars)	March 31, 1999	December 31, 1998
Assets		
Current assets		
Cash	800	1,199
Accounts receivable	17,949	19,115
Short term investments	3,881	3,212
Capital assets held for sale	-	3,400
Prepaid expenses	2,278	1,420
	<u>24,908</u>	<u>28,346</u>
Cash reserved for site restoration and reclamation	2,031	1,781
Capital assets	<u>282,126</u>	<u>286,013</u>
	<u>309,065</u>	<u>316,140</u>
Liabilities and unitholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	17,976	22,667
Accrued distributions to unitholders	1,983	1,981
Due to related company	1,617	1,223
Current portion of long term debt	106	106
	<u>21,682</u>	<u>25,977</u>
Long-term debt	77,741	73,006
Site restoration and reclamation provision	<u>4,402</u>	<u>3,943</u>
	<u>103,825</u>	<u>102,926</u>
Unitholders' equity		
Net capital contributions	292,563	292,451
Accumulated loss	(10,421)	(8,364)
Accumulated cash distributions	(76,082)	(70,134)
Dividends	(820)	(739)
	<u>205,240</u>	<u>213,214</u>
	<u>309,065</u>	<u>316,140</u>

PrimeWest Energy Trust
Consolidated Statements of Unitholders' Equity (Unaudited)

(thousands of dollars)	March 31, 1999	December 31, 1998
Unitholders' equity, beginning of the year	213,214	193,364
Net loss for the period	(2,057)	(13,547)
Net capital contributions	112	59,463
Cash distributions	(5,948)	(25,769)
Dividends	(81)	(297)
Unitholders equity, end of the period	<u>205,240</u>	<u>213,214</u>

PrimeWest Energy Trust
Consolidated Statements of Income and
Cash Available for Distribution (Unaudited)

(thousands of dollars, except for per-trust-unit and
number of units)

For the three months ended March 31	1999	1998
REVENUES		
Sales of crude oil, natural gas, natural gas liquids, sulphur	20,144	17,764
Crown and other royalties, net of ARTC	(3,220)	(3,717)
Other income	751	7
	17,675	14,054
EXPENSES		
Operating	7,180	6,868
General and administrative	1,229	1,169
Interest	1,139	1,104
Corporate acquisition costs	998	-
Management fees	359	290
Depletion, depreciation and amortization	8,827	7,552
	19,732	16,983
Net loss for the period	(2,057)	(2,929)
Add back (deduct) amounts to reconcile to distribution:		
Reserve to fund future production costs	(944)	1,952
Corporate acquisition costs, net of income	305	-
Depletion, depreciation and amortization	8,827	7,552
Contribution to reclamation fund	(223)	-
Management fees paid in trust units	100	122
	8,065	9,626
CASH AVAILABLE FOR DISTRIBUTION	6,008	6,697
Cash available to trust unitholders (99 percent)	5,948	6,630
Cash available for distribution per trust unit	0.18	0.24
Net loss per trust unit	(0.06)	(0.11)
Trust units issued and outstanding	33,044,849	32,962,562
Weighted average number of trust units outstanding	33,042,725	27,718,117

PrimeWest Energy Trust
Consolidated Statements of Changes in Financial Position
(Unaudited)

(thousands of dollars)

For the three months ended March 31,	1999	1998
OPERATING ACTIVITIES		
Net loss for the period	(2,057)	(2,929)
Add: Items not involving cash from operations		
Depletion, depreciation and amortization	8,827	7,552
Corporate acquisition costs	998	-
Investment income	(693)	-
Non-cash management fees	100	122
Funds from operations	7,175	4,745
Change in non-cash working capital	(4,087)	22,452
	3,088	27,197
FINANCING ACTIVITIES		
Proceeds from issue of trust units (net of costs)	112	59,186
Cash distributions to unitholders	(5,948)	(6,630)
Dividends	(81)	(65)
Increase in long-term debt	4,735	10,831
Change in non-cash working capital	2	(7,094)
	(1,180)	56,228
INVESTING ACTIVITIES		
Expenditures on capital assets	(3,270)	(3,302)
Acquisition of capital assets	(1,367)	(61,144)
Proceeds on disposal of capital assets	3,582	44
Cash reserved for future site restoration and reclamation	(251)	(481)
Expenditures on site restoration and reclamation	(27)	(79)
Gain on deemed disposition of units and investment income	693	-
Increase in short-term investments	(669)	-
Corporate acquisition costs	(998)	-
	(2,307)	(64,962)
Increase (decrease) in cash for the period	(399)	18,463
Cash, beginning of the year	1,199	10,713
Cash, end of the period	800	29,176

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Trading performance

	For the quarter ended			
	Mar 31/99	Dec 31/98	Sept 30/98	Jun 30/98
(dollars)				
High	6.05	6.50	7.10	7.65
Low	4.75	4.78	5.15	6.30
Close	6.00	5.05	5.80	6.55
Volume traded (millions)	3.76	3.55	2.77	5.00
Weighted average number of shares outstanding (millions)	33.04	33.02	32.98	32.98
Distributions paid per unit	\$0.18	\$0.18	\$0.18	\$0.22

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