

Q U A R T E R L Y R E P O R T

F I R S T Q U A R T E R 2 0 0 0

PrimeWest Energy Trust posts record quarterly financial performance, declares extra cash distributions for 2000

Calgary, May 11, 2000 -- PrimeWest Energy Trust (PrimeWest) today announced interim operating and record financial results for the first quarter ended March 31, 2000. Cash flow from operations was \$0.50 per trust unit, of which \$0.30 was distributed to unitholders.

In light of this strong cash flow, the Trust also announced that its regular monthly cash distribution of \$0.10 per trust unit will be supplemented by a series of extra payments, of \$0.03 per month, until at least January 2001.

“We anticipate best-ever cash flows in 2000, driven by strong commodity prices and continuing achievements in reducing PrimeWest’s cost structure,” said Kent MacIntyre, Vice-chairman and CEO. “At the same time as we are increasing distributions, we are reducing debt and building one of the strongest balance sheets in the sector. This gives us the flexibility to pursue development and acquisition opportunities accretive to distributions.”

The first of the extra monthly payments of \$0.03 per trust unit will be made on June 15, 2000 to all unitholders of record on May 31, 2000. With the regular and extra distributions in June, PrimeWest will have paid a total of \$1.29 per trust unit during the previous 12-month period (July 1999 through June 2000), and \$4.23 per trust unit since inception in October 1996. The ex-distribution date for the June distributions is May 29, 2000.

On a quarterly basis, coincident with the review and issuance of operating and financial results, PrimeWest’s board of directors decides the best combination of uses for cash flow surplus to the regular and supplementary monthly distribution rates, including debt reduction and unit repurchases. Second-quarter results will be released on or about August 15, 2000.

PrimeWest Energy Trust is a Calgary-based oil and gas royalty trust, actively managed for the benefit of unitholders. The trust generates monthly cash distributions by acquiring, developing, producing and selling crude oil, natural gas and natural gas liquids in Western Canada.

Average selling prices for all products rose by 76 percent compared with the same period in 1999. As a result, cash flow, operating netbacks and cash distributions all were up strongly, and debt has been reduced.

Operating highlights

| | Three months ended March 31 | | |
|---|-----------------------------|--------|--------|
| | 2000 | 1999 | Change |
| Daily sales volumes | | | |
| Crude oil and natural gas liquids (barrels) | 7,028 | 7,496 | (6%) |
| Natural gas (thousand cubic feet) | 48,128 | 48,913 | (2%) |
| Total (barrels of oil equivalent) | 11,841 | 12,387 | (4%) |
| Average selling prices | | | |
| Crude oil and natural gas liquids (\$/bbl) | 32.84 | 15.34 | 114% |
| Natural gas (\$/Mcf) | 3.01 | 2.23 | 35% |
| Operating netback (\$/BOE) | | | |
| Revenues | 31.87 | 18.07 | 76% |
| Royalties, net of ARTC | (6.05) | (2.89) | 109% |
| Operating expenses | (6.30) | (6.44) | (2%) |
| Operating netback | 19.52 | 8.74 | 123% |

Financial highlights

| | Three months ended March 31 | | |
|--|-----------------------------|-------------------|--------|
| | 2000 | 1999 | Change |
| (thousands of dollars except per-BOE and per-trust-unit amounts) | | | |
| Cash flow from operations | 17,927 | 7,175 | 150% |
| per BOE | 16.64 | 6.44 | 158% |
| per trust unit | 0.50 | 0.22 | 127% |
| Operating revenues, net of royalties | 27,829 | 16,982 | 64% |
| per BOE | 25.82 | 15.18 | 70% |
| per trust unit | 0.78 | 0.51 | 53% |
| Operating expenses | 6,791 | 7,180 | (5%) |
| per BOE | 6.30 | 6.44 | (2%) |
| per trust unit | 0.19 | 0.22 | (14%) |
| Cash G&A expenses | 1,104 | 1,129 | (2%) |
| per BOE | 1.03 | 1.10 | (6%) |
| per trust unit | 0.03 | 0.04 | (25%) |
| Management fees | 666 | 359 | 86% |
| per BOE | 0.62 | 0.32 | 94% |
| per trust unit | 0.02 | 0.01 | 100% |
| Financing costs | 1,456 | 1,139 | 28% |
| per BOE | 1.35 | 1.02 | 32% |
| per trust unit | 0.04 | 0.03 | 33% |
| Cash distributed to unitholders | 10,753 | 5,948 | 81% |
| per BOE | 9.98 | 5.33 | 87% |
| per trust unit | 0.30 | 0.18 | 67% |
| (thousands of dollars) | | | |
| | March 31, 2000 | December 31, 1999 | |
| Net debt (long-term debt less working capital) | 84,084 | 86,331 | |

Management's Discussion and Analysis (MD&A)

The following discussion is management's opinion about PrimeWest's operating and financial results for the first quarter of 2000 and previous periods, and the Trust's future outlook based on currently available information. This discussion should be read in conjunction with the Trust's annual MD&A and audited consolidated financial statements for the years ended December 31, 1999 and 1998, together with the accompanying notes. These are included on pages 24 through 42 of PrimeWest's 1999 annual report to unitholders.

Our strategy of financial prudence means two things to us – managing our capital structure and providing for the future.

Results of operations

- Production volumes for the quarter averaged 11,841 barrels of oil equivalent (BOE) per day, down four percent from the first quarter of 1999 and flat compared with PrimeWest's 1999 annual average production rate. This was mainly due to natural declines in the productive capacity of existing properties and temporary production outages offset by the Trust's ongoing production optimization and acquisition programs.
- Temporary production outages included a line break at Grand Forks and compressor failure at a non-operated facility near Sundre. Taken together, these outages reduced sales volumes during the quarter by 80 BOE per day. Production has since been restored at prior levels.
- PrimeWest participated in a total of 19 separate development projects during the quarter, as part of an operating strategy that has shifted towards more project diversification coupled with an increased emphasis on technology and stewardship. Our first-quarter projects included participation in the drilling and completion of two wells at Kaybob and Boundary Lake, the re-completion and/or work-over of 16 wells, and repairs and maintenance at one facility. We also abandoned and/or reclaimed five wells.
- The result of all these efforts combined was the addition of 100 BOE per day of production on an annualized basis.
- During the quarter, world oil prices were extremely strong, with an average West Texas Intermediate (WTI) crude oil price of US\$28.73 per barrel compared with US\$13.06 per barrel for the same period in 1999. North American prices for natural gas softened in the first quarter compared with the fourth quarter of 1999, but have since strengthened on both the New York Mercantile Exchange (NYMEX) and in the Alberta markets.
- The average selling price PrimeWest received for all products combined increased 76 percent compared with the first quarter in 1999, to \$31.73 per BOE.

The key aim of our risk management strategy is to provide an element of stability and predictability in our monthly distribution, while maintaining the opportunity to capture some benefit from price increases.

For 2000 PrimeWest has layered in several hedging structures, which at March 31, 2000, represented approximately 36 percent of total anticipated crude oil production and 21 percent of anticipated natural gas production for the remaining nine months of the year (both figures after royalties). The purpose of these risk management programs is to protect PrimeWest's regular monthly and extra monthly distribution rate and meet our objective of providing stable, predictable and sustainable distributions.

The following tables show the effect of hedging transactions for the next three quarters.

Crude oil hedging (as at March 31, 2000)

This table displays the price received on hedged sales only.

| | | Quarter ended June 30, 2000 | Quarter ended Sept 30, 2000 | Quarter ended Dec 31, 2000 |
|--|-------------------|---|---|---|
| Volume hedged (as a percentage of total anticipated crude oil production after royalties) | | 37% | 53% | 18% |
| (U.S. dollars per barrel) | If WTI is: | PrimeWest receives⁽¹⁾ | PrimeWest receives⁽¹⁾ | PrimeWest receives⁽¹⁾ |
| | 28.00 | 24.80 | 26.99 | 27.68 |
| | 26.00 | 24.05 | 25.83 | 26.18 |
| | 24.00 | 23.30 | 24.33 | 24.68 |
| | 22.00 | 23.30 | 23.99 | 24.68 |
| | 20.00 | 23.30 | 21.99 | 24.68 |
| | 18.00 | 22.55 | 21.49 | 23.18 |
| | 16.00 | 21.80 | 20.91 | 21.68 |

(1) Actual prices received are a blend of hedged and unhedged sales.

Natural gas hedging (as at March 31, 2000)

This table displays the price received on hedged sales only.

| | | Quarter ended June 30, 2000 | Quarter ended Sept 30, 2000 | Quarter ended Dec 31, 2000 |
|--|--------------------|---|---|---|
| Volume hedged (as a percentage of total anticipated natural gas production after royalties) | | 26% | 26% | 12% |
| (Canadian dollars per Mcf) | If AECO is: | PrimeWest receives⁽¹⁾ | PrimeWest receives⁽¹⁾ | PrimeWest receives⁽¹⁾ |
| | 4.00 | 3.15 | 3.15 | 3.52 |
| | 3.75 | 3.15 | 3.15 | 3.52 |
| | 3.50 | 3.15 | 3.15 | 3.38 |
| | 3.25 | 3.06 | 3.06 | 3.19 |
| | 3.00 | 2.96 | 2.96 | 2.99 |
| | 2.75 | 2.93 | 2.93 | 2.95 |
| | 2.50 | 2.86 | 2.86 | 2.92 |

(1) Actual prices received are a blend of hedged and unhedged sales. Approximately 48 percent of 2000 gas volumes is sold through aggregators, with the remaining 52 percent sold into the Alberta short- and long-term markets.

- *Revenues* – Revenues from the sales of crude oil, natural gas and natural gas liquids were \$34.3 million or \$0.96 per trust unit, up 70 percent over the same period in 1999 due to higher commodity prices, offset slightly by lower production volumes. Opportunity losses from hedging for the period were \$1.2 million or \$0.04 per trust unit.
- *Cash flow* – Cash flow from operations was \$17.9 million or \$0.50 per trust unit for the quarter compared with \$7.2 million or \$0.22 per trust unit posted in the corresponding period in 1999.
- *Royalties* – Crown and other royalties, net of ARTC, were \$6.5 million, up 102 percent quarter over quarter. The increase was due to higher commodity prices received, higher royalty rates, and a lower ARTC claim rate. (Royalty rates and ARTC claim rates are sensitive to commodity prices.)
- *Operating expenses* – Operating expenses were \$6.8 million for the period or \$6.30 per BOE, down five percent from the same period last year in aggregate and two percent per BOE. These reductions came mainly from improved stewardship and the continued introduction of automation technology. Extraordinary Crossfield gas plant operating costs, associated with a once-every-three-years maintenance turn-around, added \$0.2 million or \$0.20 per BOE to the quarter. Other one-time Crossfield costs, of \$0.34 million or \$0.30 per BOE, related to PrimeWest becoming operator with transition staff levels and associated training costs.
- *Operating netback* – PrimeWest’s operating netback (before G&A, management fees and interest expense) of \$19.52 per BOE was up 123 percent quarter over quarter, mainly due to higher commodity prices and lower operating expenses offset by higher crown and other royalties.
- *General and administrative expenses* – Cash general and administrative expenses, net of overhead recoveries, were \$1.1 million or \$1.03 per BOE for the period, down six percent from the same period in 1999. Non-cash general and administrative costs, representing the Trust’s long-term incentive program, were \$0.5 million in the quarter. There were no costs for this program in the corresponding period in 1999, as the program was not ‘in the money’ at that time.
- *Management fees* – Cash and non-cash management fees increased to \$0.67 million for the quarter as compared with \$0.36 million for the corresponding period in 1999, because they are based in part on net production revenue, which itself is highly dependent on commodity prices received.
- *Interest expense* – Interest expense was \$1.5 million compared with \$1.1 million in the first quarter of 1999, due to higher debt levels and higher interest costs.

Our operating excellence strategy sees us pursuing a conservative program of property development, one focused on lowering operating costs and arresting the natural decline common to mature producing properties.

Asset replenishment is another key to long-term stability of PrimeWest and its cash distributions to unitholders. We intend to increase the size, diversity and quality of our asset base.

- *Depletion, Depreciation and Amortization (DD&A)* – The first-quarter 2000 DD&A rate was \$8.55 per BOE compared with a 1999 rate of \$7.92, due in part to proven reserve reductions booked at the end of 1999.
- *Site reclamation and restoration reserve* – During the first quarter, PrimeWest reserved \$0.3 million or \$0.30 per produced BOE for future site restoration and reclamation compared with \$0.2 million or \$0.20 per produced BOE in the same quarter of 1999. This increase reflects a more conservative contribution policy, which is among the most prudent in the sector.
- *Net asset value (NAV)* – Net asset value is based on the present value of our underlying assets -- primarily reserves of crude oil, natural gas and natural gas liquids -- less debt. Anticipated current and future prices for these commodities and estimated production rates, as determined by PrimeWest's independent engineering firm, combine to affect net asset value.

At April 1, 2000, PrimeWest's fully diluted NAV (discounted at 10 percent pre-tax) was \$8.01 per trust unit compared with \$7.07 at year-end 1999, mainly due to higher consultant average pricing assumptions for 2000 and 2001. (This calculation is an assumption that the acquisition of Venator Petroleum Company occurred on April 1, 2000, as opposed to the actual closing date of April 18, 2000.) By April 1, 2000, the total of net asset value plus cumulative distributions paid had climbed from \$10.77 per trust unit at year-end to \$12.07. This compares favourably to our Initial Public Offering NAV of \$8.86 per trust unit.

- *Liquidity and capital resources* – Capital expenditures totalled \$4.5 million during the quarter. Investment in the production optimization program was \$3.3 million, and in property and facility acquisitions, \$1.2 million.

Net debt (long-term debt net of working capital) at March 31, 2000, was \$84.1 million or \$2.35 per trust unit, down two percent from \$86.3 million or \$2.41 per trust unit at year-end 1999. Our debt-to-cash flow ratio on a trailing 12-month basis was 1.6 times compared with 2.1 times at December 31, 1999.

- *Unitholders' equity* – In November 1999 PrimeWest received consent from The Toronto Stock Exchange to implement a trust unit repurchase program for up to 1.8 million trust units. To May 10, 2000, we had repurchased for retirement 263,100 trust units at an average price of \$6.39 per trust unit, for a total of \$1.7 million.

Developments and outlook

▪ *Venator acquisition* – On April 18, 2000, PrimeWest announced that its offer to purchase Venator Petroleum Company Limited was successful. PrimeWest has begun to integrate the two companies' operations.

The transaction adds 4.3 million barrels of established reserves and, beginning April 19, 2000, approximately 1,300 BOE of daily production. It was completed through an exchange of 2.4 million trust units and 2.0 million exchangeable shares worth approximately \$30 million plus \$2 million of assumed debt. On the date of issuance, each exchangeable share was exchangeable into one PrimeWest trust unit.

The Venator acquisition will serve not only to increase cash flow available for distribution, but to also lower PrimeWest's operating cost and debt structure. We continue to pursue other similarly sized or larger transactions that will improve the quality of our reserves, netback and future cash flows.

▪ *2000 capital budget* – The Board of Directors of PrimeWest has approved a 25-percent increase in PrimeWest's 2000 capital development budget (excluding acquisitions), bringing the total to \$24 million. Of the incremental amount, \$2.2 million relates to additional Grand Forks development drilling; \$3.0 million relates to development drilling and waterflood optimization on the recently acquired Venator properties; and \$2.6 million relates to Crossfield-area projects.

"We have enjoyed the benefit of continuing strong commodity prices and we continue to execute all four of our strategies – financial prudence, risk management, operating excellence and asset replenishment," said President and Chief Operating Officer Hugh Gillard. "With focused effort we continued to reduce operating costs and mitigate natural production declines. We now look forward to integrating the Venator operations and to capitalizing on upside development opportunities associated with the new properties."

"PrimeWest has delivered record financial results to our existing unitholders, and we are focusing on operational improvements."

First quarter conference call and Webcast

PrimeWest will be conducting a conference call and Webcast for interested investors, brokers, analysts, and media representatives about its first quarter results and outlook for 2000 at 2:00 p.m. Mountain time (4:00 p.m. Eastern time) on Monday, May 15, 2000. Callers may dial 1-888-881-4892 or 1-416-231-6596 a few minutes prior to start and request the PrimeWest conference call. The call will also be available for reply by dialing 1-877-289-8525, and entering pass code 9377#. Internet users may go to www.newswire/webcast/pages/primewest1.html for the live Webcast and/or replay and at the PrimeWest Web site, www.primewestenergy.com.

On behalf of the Board of Directors:

May 11, 2000

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 will be held in the Strand/Tivoli room of the Metropolitan Centre in Calgary on Thursday, May 25, 2000, beginning at 3:00 p.m. All unitholders are encouraged to attend.

PRIMEWEST ENERGY TRUST
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| (thousands of dollars) | <u>March 31, 2000</u> | <u>December 31, 1999</u> |
|--|---------------------------|------------------------------|
| Assets | | |
| Current assets | | |
| Cash | 6,296 | 5,503 |
| Accounts receivable | 19,718 | 21,811 |
| Short-term investments | 2 | 174 |
| Prepaid expenses | 2,413 | 2,452 |
| | <u>28,429</u> | <u>29,940</u> |
| Cash reserved for site restoration and reclamation | 1,158 | 1,060 |
| Capital assets | <u>284,888</u> | <u>289,210</u> |
| | <u>314,475</u> | <u>320,210</u> |
| Liabilities and unitholders' equity | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 18,110 | 19,150 |
| Accrued distributions to unitholders | 3,555 | 3,555 |
| Due to related company | 1,049 | 1,280 |
| Current portion of long-term debt | 106 | 106 |
| | <u>22,820</u> | <u>24,091</u> |
| Long-term debt | 89,693 | 92,180 |
| Site restoration and reclamation provision | 4,118 | 3,899 |
| | <u>116,631</u> | <u>120,170</u> |
| Unitholders' equity | | |
| Net capital contributions | 311,644 | 311,049 |
| Accumulated income (loss) | 5,701 | (2,379) |
| Accumulated cash distributions | (118,238) | (107,485) |
| Accumulated dividends | (1,263) | (1,145) |
| | <u>197,844</u> | <u>200,040</u> |
| | <u>314,475</u> | <u>320,210</u> |

PRIMEWEST ENERGY TRUST
CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY
(UNAUDITED)

| (thousands of dollars) | <u>March 31, 2000</u> | <u>December 31, 1999</u> |
|--|---------------------------|------------------------------|
| Unitholders' equity, beginning of the year | 200,040 | 213,214 |
| Net income for the period | 8,081 | 5,985 |
| Net capital contributions | 594 | 18,598 |
| Cash distributions | (10,753) | (37,351) |
| Dividends | (118) | (406) |
| Unitholders' equity, end of the period | <u>197,844</u> | <u>200,040</u> |

PRIMEWEST ENERGY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOW
(UNAUDITED)

(thousands of dollars)

| For the three months ended March 31, | 2000 | 1999 |
|---|-----------------|---------|
| OPERATING ACTIVITIES | | |
| Net income (loss) for the period | 8,081 | (2,057) |
| Add: Items not involving cash from operations | | |
| Depletion, depreciation and amortization | 9,218 | 8,827 |
| Corporate acquisition costs | - | 998 |
| Investment income | - | (693) |
| Non-cash general and administrative | 513 | - |
| Non-cash management fees | 115 | 100 |
| Funds from operations | 17,927 | 7,175 |
| Change in non-cash working capital | 862 | (4,087) |
| | 18,789 | 3,088 |
| FINANCING ACTIVITIES | | |
| Proceeds from issue of trust units (net of costs) | 223 | 112 |
| Cash distributions to unitholders | (10,753) | (5,948) |
| Dividends | (118) | (81) |
| Increase (decrease) in long-term debt | (2,487) | 4,735 |
| Change in non-cash working capital | (255) | 2 |
| | (13,390) | (1,180) |
| INVESTING ACTIVITIES | | |
| Expenditures on capital assets | (3,256) | (3,270) |
| Acquisition of capital assets | (1,245) | (1,367) |
| Proceeds on disposal of capital assets | - | 3,582 |
| Increase in cash reserved for future site restoration and reclamation | (99) | (251) |
| Expenditures on site restoration and reclamation | (178) | (27) |
| Proceeds on disposition of short-term investments | 172 | 24 |
| Corporate acquisition costs | - | (998) |
| | (4,606) | (2,307) |
| Increase (decrease) in cash for the period | 793 | (399) |
| Cash, beginning of the year | 5,503 | 1,199 |
| Cash, end of the period | 6,296 | 800 |

PRIMEWEST ENERGY TRUST
CONSOLIDATED STATEMENTS OF INCOME AND
CASH AVAILABLE FOR DISTRIBUTION (UNAUDITED)

| | Three months ended March 31 | |
|---|--|------------|
| | 2000 | 1999 |
| (thousands of dollars, except for per-trust-unit and number of units) | | |
| REVENUES | | |
| Sales of crude oil, natural gas, natural gas liquids, and sulphur | 34,311 | 20,144 |
| Crown and other royalties, net of ARTC | (6,516) | (3,220) |
| Other income | 34 | 751 |
| | 27,829 | 17,675 |
| EXPENSES | | |
| Operating | 6,791 | 7,180 |
| Cash general and administrative | 1,104 | 1,229 |
| Non-cash general and administrative | 513 | - |
| Interest | 1,456 | 1,139 |
| Corporate acquisition costs | - | 998 |
| Cash management fees | 551 | 260 |
| Non-cash management fees | 115 | 99 |
| Depletion, depreciation and amortization | 9,218 | 8,827 |
| | 19,748 | 19,732 |
| Net income (loss) for the period | 8,081 | (2,057) |
| Add back (deduct) amounts to reconcile to distribution: | | |
| Undistributed reserve | (6,722) | (944) |
| Corporate acquisition income, net of costs | - | 305 |
| Depletion, depreciation and amortization | 9,218 | 8,827 |
| Contribution to reclamation fund | (343) | (223) |
| Non-cash general and administrative | 513 | - |
| Management fees paid in trust units | 115 | 100 |
| | 2,781 | 8,065 |
| CASH AVAILABLE FOR DISTRIBUTION | 10,862 | 6,008 |
| Cash available to trust unitholders (99 percent) | 10,753 | 5,948 |
| Cash available for distribution per trust unit | 0.30 | 0.18 |
| Net income (loss) per trust unit | 0.23 | (0.06) |
| Trust units issued and outstanding | 35,848,116 | 33,044,849 |
| Weighted average number of trust units outstanding | 35,834,166 | 33,042,725 |

Trading performance

| | For the quarter ended | | | | |
|--|------------------------------|-------------------|--------------------|-------------------|-------------------|
| | Mar. 31/00 | Dec. 31/99 | Sept. 30/99 | June 30/99 | Mar. 31/99 |
| Unit prices (dollars per trust unit) | | | | | |
| High | 7.40 | 7.10 | 7.70 | 7.05 | 6.05 |
| Low | 6.30 | 6.15 | 6.65 | 5.75 | 4.75 |
| Close | 6.40 | 6.65 | 7.10 | 6.80 | 6.00 |
| Volume traded (millions of units) | 4.64 | 3.24 | 3.22 | 2.37 | 3.76 |
| Number of units outstanding (millions of units) | 35.85 | 35.77 | 33.10 | 33.07 | 33.04 |
| Distribution paid per trust unit | \$0.30 | \$0.35 | \$0.34 | \$0.23 | \$0.18 |

Forward-looking statements -- This news release contains forward-looking statements with respect to PrimeWest. Some of these statements include words to indicate that management 'intends', 'expects', or 'believes' that an outcome will occur. Because forward-looking statements address future events and conditions, they involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. These risks and uncertainties include commodity price levels and differentials, production levels, new information about the recoverability of reserves, and operating and other costs. They also include other risks detailed from time to time in the publicly filed disclosure documents and securities commissions reports of PrimeWest.

Kent MacIntyre
Vice-chairman
and Chief Executive Officer

Hugh Gillard
President
and Chief Operating Officer

Scott Ranson
Communications
and Investor Relations

