



# Harvest Energy Trust

## Harvest Energy Trust – News Release

(HTE.UN – TSX)

### HARVEST ENERGY TRUST TO ACQUIRE SE SASKATCHEWAN OIL PROPERTIES

**Calgary, July 29, 2003 (TSX: HTE.UN)** – Harvest Energy Trust ("Harvest") today announced that its wholly owned subsidiary, Harvest Operations Corp., has entered into an agreement to acquire producing oil properties located in Southeastern Saskatchewan. The adjusted purchase price at closing is expected to be approximately \$105 million and it is anticipated that the transaction will close on or before September 30, 2003.

#### **Southeastern Saskatchewan Property Highlights:**

- current production of approximately 6,000 BOE per day (favourable acquisition parameter of \$17,500 per BOE per day based on estimated adjusted cash closing amount);
- established reserves at January 1, 2003, as determined by McDaniel & Associates, of 18.1 million BOE (favourable acquisition parameter of \$5.80 per BOE);
- reserve life index of 7.7;
- light gravity crude oil averaging 33° API;
- high quality, mature production from large, original-oil-in-place (approximately 850 million barrels in 24 major pools) supported by active natural water drive;
- 95% of the acquired production is operated with an average working interest of 96%;
- an inventory of property enhancement projects including infill drilling, fluid handling optimization opportunities and operating cost reduction projects;
- included with these properties, Harvest will acquire the following complimentary assets:
  - approximately 12,500 kms. of 2D and 2,700 kms.<sup>2</sup> of 3D seismic;
  - approximately 260,000 net acres of undeveloped land;
  - 10 central processing batteries, 24 satellites and 1 natural gas processing facility;
  - oil price hedge / collar, locking in the price for 2,500 barrels per day of WTI sales within a range defined by:

Q4 2003  
Floor US\$24.00  
Ceiling US\$30.45

Calendar 2004  
US\$22.00  
US\$28.10

**Benefits to Unitholders:**

Harvest anticipates the Southeastern Saskatchewan property acquisition will provide the following benefits to our Unitholders:

- increases Harvest's established reserve base to 35 MMBOE;
- increases Harvest's reserve life index to 5.7;
- increases the light/medium oil component of Harvest's production to 66%;
- provides an expanded base of production compatible with Harvest's proven operating competencies;
- adds a new core area for additional low cost growth in the form of property enhancement and consolidation of additional interests through acquisitions;
- accretive to 2004 cash flow; and
- greater cash flow certainty from a larger production and reserve base.

**Financing:**

The net acquisition price for the Southeastern Saskatchewan properties of approximately \$105 million will be funded through a combination of bank debt, sale of a portion of Harvest's assets and interim financing. Although not required, Harvest may consider a future offering of trust units to repay the interim financing. National Bank Financial acted as the financial advisor on the transaction.

**Reserves Summary:**

An evaluation of 100% of the Southeastern Saskatchewan properties being acquired has been performed by McDaniel & Associates Consultants ("McDaniel"). The following table outlines McDaniel's estimate of the reserves to be acquired effective January 1, 2003:

**Southeastern Saskatchewan Properties  
Independent Reserves Evaluation**

	<b>Oil mbbl</b>	<b>Gas mmcf</b>	<b>NGL mbbl</b>	<b>BOE mBOE<sup>(2)</sup></b>	<b>PVBT 10% (\$000)</b>
<b>Total All Properties<sup>(1)</sup></b>					
Proved Producing	16,107	425	161	16,343	\$107,274
Total Proven	16,566	452	168	16,809	\$108,684
Proved Plus Probable	19,043	515	194	19,323	\$120,602
Established	17,805	484	181	18,066	\$114,643

<sup>(1)</sup> Effective Date: January 1, 2003.

<sup>(2)</sup> Gas converted at 6:1.

**Property Summary:**

The Southeastern Saskatchewan properties are comprised of seven major property areas. The majority of the properties are comprised of large operated oil pools produced into company-operated facilities. The majority of the drilling on operated properties has occurred during the 1990's, with subsequent modern facilities construction. In addition to the stable, predictable base of existing production, Harvest has identified 28 additional infill drilling locations and other production optimization / cost reduction opportunities.

**Second Quarter Update and 2003 Full Year Guidance:**

Property enhancement and acquisition activities were continued through the second quarter with production expected to be approximately 9,600 BOE/d, an increase of 17% from the first quarter of 2003 and operating expenses are expected to average \$9.25 per BOE. Harvest's current production rate is approximately 11,000 BOE/d. Current net debt is approximately \$45 million, representing 1.1 times cash flow.

Combining the incremental production from the Southeastern Saskatchewan properties for the period from October 1, 2003 to December 31, 2003 with Harvest's existing base of production, Harvest expects average production, average royalty rate and unit operating expenses to be:

	Q4 2003 Average	Calendar 2003 Average
Total Production	16,300 BOE/d	11,000 BOE/d
Average Royalty Rate	18%	14%
Operating Expenses	\$9.70 per BOE	\$9.50 per BOE

Although the Southeastern Saskatchewan acquisition is accretive to cash flow per trust unit, Harvest currently forecasts that it will maintain its monthly distribution at \$0.20 per trust unit. Additional cash flow derived from the Southeastern Saskatchewan acquisition will be used to fund Harvest's ongoing property enhancement program and acquisition strategy and to repay debt.

Harvest Energy Trust is a Calgary based oil and natural gas trust that strives to deliver stable monthly cash distributions to its Unitholders through its strategy of acquiring, enhancing and producing crude oil, natural gas and natural gas liquids. Harvest's assets, comprised of high quality medium and heavy gravity crude oil properties in East Central Alberta, and its hands-on operating strategy underpin Harvest's objective to deliver superior economic returns to Unitholders.

For further information, please contact either:

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