



Harvest Energy Trust

Harvest Energy Trust – News Release (HTE.UN – TSX)

HARVEST ENERGY TRUST ANNOUNCES ACQUISITION OF OIL AND NATURAL GAS PRODUCING ASSETS AND FINANCING

Calgary, July 15, 2004 (TSX: HTE.UN) – Harvest Energy Trust (“Harvest”) is pleased to announce that it has entered into a definitive agreement to acquire conventional oil and natural gas producing properties (the “Acquisition”) from a subsidiary of EnCana Corporation for Cdn\$526 million. Harvest intends to fund the Acquisition with a bought deal financing and new credit facilities. The Acquisition is expected to close on or about September 1st, 2004, with an adjustment date of July 1st, 2004. National Bank Financial Inc. is acting as financial advisor to Harvest on the Acquisition. Management and Directors have committed to subscribe for approximately \$25 million of trust units offered in the financing.

Acquisition Highlights:

- Current production of approximately 19,500 boe/d (before royalties), comprised of 14,900 bbl/d of oil and natural gas liquids and 27.4 mmcf/d of natural gas, concentrated primarily in East Central Alberta and Southern Alberta;
- 57.8 mmboe of proven plus probable reserves (before royalties) as determined by independent reserve engineers;
- Favorable acquisition parameters of \$26,900 per boe/d on current production, \$9.10 per BOE of proved plus probable reserves, and 3x EBITDA;
- Reserve life index of 8.3;
- Low royalties (2004 forecast average 13.6%) and low operating costs (2004 forecast less than \$6.00/boe) resulting in high netbacks. Favorable recycle ratio of 2.6x based on the independent engineering assessment;
- High quality properties with significant original oil in place which are complementary to Harvest’s existing operations;
- High working interest of 86% and operatorship in excess of 95%;
- Inventory of property enhancement projects including infill drilling, fluid handling optimization, waterflood opportunities and natural gas development; and
- Approximately 293,000 net acres of undeveloped land.

Benefits to Harvest Unitholders:

- Significant accretion to fully-diluted cash flow per trust unit of approximately 40% in the fourth quarter of 2004 and approximately 30% in 2005 assuming full subscription of the equity offering. The accretion figures are based on Harvest’s estimates of current production and the independent engineering assessment of proved developed producing reserves of the Acquisition, at current forward commodity prices net of corporate hedges;
- Financial flexibility with a proforma payout ratio less than 45%, which is among the lowest of all Canadian public energy trusts;
- Accretion to net asset value per unit, production per unit, and reserves per unit;

- Increases Harvest's proved plus probable reserve life index from 6.7 to approximately 7.5;
- Greater commodity diversification by increasing natural gas weighting to 13%;
- Creation of a new core area in Southern Alberta, compatible with Harvest's proven operating competencies; and
- Harvest will be the 6th largest energy trust in Canada, based on estimated Q4 2004 production of approximately 37,000 to 38,000 BOE per day, and will also offer increased market size and liquidity for Unitholders.

Reserves:

The table below is a summary of the acquired reserves (before royalties) as at July 1st, 2004. The reserves were evaluated by Gilbert Laustsen Jung Associates Ltd. ("GLJ") and McDaniel & Associates Consultants Ltd. ("McDaniel") in accordance with National Instrument 51-101.

	Crude Oil (mdbl)	Natural Gas Liquids (mdbl)	Natural Gas (mmcf)	Oil Equivalent (mboe)
Proved Producing	25,608	1,541	55,557	36,409
Total Proved	28,776	1,586	61,414	40,598
Proved Plus Probable	42,906	1,953	77,656	57,802

Property Summary:

The acquired properties provide a strategic fit with Harvest's existing East Central Alberta core area as well as create a new core area in Southern Alberta.

East Central Alberta

The East Central property package is situated directly adjacent to Harvest's current operation in the Provost area and is compatible with Harvest's proven operating capabilities in this area. Current production from the East Central Alberta properties is approximately 4,700 BOE/d comprised of 4,400 bbl/d of oil and natural gas liquids and 2.0 mmcf/d of natural gas with the majority of production operated.

Southeast Alberta

The Southeast Alberta properties are situated in Harvest's new Southern Alberta core area. Current production from the Southeast Alberta properties is approximately 11,500 BOE/d comprised of 10,000 bbl/d of oil and natural gas liquids and 8.4 mmcf/d of natural gas with working interests over 90%. Harvest expects to operate 100% of the production.

Crossfield

Crossfield is also located in Harvest's new Southern Alberta core area. Current production from the Crossfield area is approximately 3,300 BOE/d comprised of 500 bbl/d of natural gas liquids and 17.0 mmcf/d of natural gas with an average working interest of 71%.

Financing:

In conjunction with the transaction, Harvest has entered into an agreement to sell, on a bought deal basis, 8,000,000 subscription receipts ("Subscription Receipts") at a price of \$14.40 each for gross proceeds of approximately \$115.2 million and approximately \$80 million of 8% convertible extendible unsecured subordinated debentures ("Debentures"), to a syndicate of underwriters led by National Bank Financial Inc. Harvest has also granted the underwriters an option to purchase up to an additional \$80 million of Subscription Receipts and Debentures in aggregate on the same terms as above.

Each Subscription Receipt represents the right to receive one trust unit on the closing of the Acquisition. The proceeds from the offering of Subscription Receipts will be deposited in escrow pending closing of the Acquisition. If the Acquisition closes on or before September 30th, 2004, the net proceeds will be released

to Harvest and used to pay part of the purchase price of the Acquisition. If the offering closes before the Acquisition closes, holders of Subscription Receipts will receive a payment equivalent to the amount of any cash distributions to Unitholders for which record dates occur between the closing of the offering and the closing of the Acquisition. If the Acquisition fails to close by September 30th, 2004, or the Acquisition is terminated at an earlier time, Harvest will return the issue proceeds and the pro rata entitlement to interest thereon to holders of Subscription Receipts.

The Debentures will have a face value of \$1,000 per Debenture, a coupon of 8%, a final maturity date, if extended, of September 30th, 2009, and will be convertible into trust units of Harvest at a price of \$16.25 per trust unit. The initial maturity date of the Debentures will be September 30, 2004, with an automatic extension to September 30th, 2009 upon the closing of the Acquisition. If the Acquisition does not close on or before September 30th, 2004, or if the Acquisition is terminated at any earlier time, holders of the Debentures will have the option to require Harvest to extend up to \$40 million of Debentures to September 30th, 2009. The remaining Debentures will mature on the initial maturity date. The Debentures will pay interest semi-annually on March 31 and September 30th, with the initial interest payment on March 31st, 2005.

Harvest has received from National Bank of Canada, as Sole Lead Arranger, a fully underwritten commitment for credit facilities totalling \$480 million. The credit facilities will be used to finance the Acquisition, for general corporate purposes and to refinance Harvest's existing revolving credit facility.

Harvest Energy Trust is a Calgary-based energy trust actively managed 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. Trust units of Harvest are traded on the Toronto Stock Exchange (TSX) under the symbol "HTE.UN". For further information on Harvest, please visit our website at www.harvestenergy.ca.

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