PENGROWTH ENERGY TRUST
Form 6-K
August 04, 2006

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 6-K
Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of the
Securities Exchange Act of 1934
For the period July 27, 2006 to August 3, 2006
PENGROWTH ENERGY TRUST
2900, 240 4th Avenue S.W.
Calgary, Alberta T2P 4H4 Canada
(address of principal executive offices)

[Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.]

Form 20-F o Form 40-F þ

[Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Security Exchange Act of 1934.

Yes o No þ

[If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):__________]

DOCUMENTS FURNISHED HEREUNDER:

1. Press Release announcing Second Quarter 2006 Results

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PENGROWTH ENERGY TRUST
by its administrator PENGROWTH CORPORATION

August 3, 2006

By: /s/ Gordon M. Anderson

Name: Gordon M. Anderson
Title: Vice President

NEWS RELEASE

Attention:	**Financial Editors**	**Stock Symbol:**	**(PGF.UN) TSX; (PGH) NYSE**

PENGROWTH ENERGY TRUST ANNOUNCES SOLID SECOND QUARTER 2006 RESULTS

(Calgary, August 2, 2006) /CCNMatthews/ Pengrowth Corporation, administrator of Pengrowth Energy Trust (collectively Pengrowth), is pleased to announce the interim unaudited operating and financial results for the three and six month periods ended June 30, 2006.

The second quarter marked further progress in Pengrowth s continued transformation, said Jim Kinnear, Chairman, President and CEO of Pengrowth Energy Trust, Our enhanced focus on organic development as part of the largest capital program in Pengrowth s history is showing benefits. We continued to see positive results from our drilling and development activities during the second quarter and remain well positioned for a generally favourable second half of 2006.

<u>Second Quarter and Year-to-Date Highlights</u>

Pengrowth spent approximately $122 million on its capital expenditure program during the first six months of 2006 with efforts directed towards increasing production and additional reserve recovery through infill drilling. The 2006 capital expenditure program has been expanded through the second quarter to recognize additional development opportunities and is now expected to total approximately $261 million for the full year.

Pengrowth generated $149 million ($0.93 per average trust unit outstanding) of distributable cash from second quarter 2006 operations, compared to $134 million ($0.86 per trust unit) in the second quarter of 2005. Distributions paid or declared were $121 million for second quarter 2006 (2005 $110 million). Distributions to unitholders during the quarter totaled $0.75 per trust unit resulting in a payout ratio of approximately 81 percent.

Despite the decline in natural gas prices during the quarter, Pengrowth s oil and gas sales decreased only three percent quarter over quarter to $284 million as a result of Pengrowth s balanced production which benefited from the offsetting strength in pricing for crude oil and liquids.

Pengrowth s second quarter average realized price after hedging remained relatively flat at $54.91 per boe compared to $55.04 per boe in the previous quarter. The approximate 23 percent decrease in the realized price for natural gas was largely offset by respective increases of 15 percent, 72 percent and 1 percent in the prices realized for light oil, heavy oil and natural gas liquids.

Pengrowth s operating netback increased 8 percent to $33.94 for the second quarter compared to $31.44 for the previous quarter and 16 percent versus the second quarter of 2005.

Operational downtime and production curtailments required for the installation of compression facilities at the Sable Offshore Energy Project (SOEP) had an unfavourable impact on second quarter production volumes. Planned maintenance activities, wet weather and natural production declines also contributed to an approximate four percent decline in second quarter production to 56,325 boe per day from 58,845 boe per day in the first quarter of 2006. The full year production outlook remains positive and Pengrowth is increasing its forecast for average 2006 production to 56,000 to 57,500 boe per day, excluding the impact of future acquisitions or dispositions and the recently announced combination with Esprit Energy Trust.

Note regarding currency: **All figures contained within this report are quoted in Canadian dollars unless otherwise indicated.**

Subsequent Events

The second and final phase of Pengrowth s Class A and Class B trust unit consolidation was completed on July 27, 2006 resulting in a single consolidated trust unit that trades on the Toronto Stock Exchange under the symbol PGF.UN and on the New York Stock Exchange under the symbol PGH. The consolidation has created a simpler, more competitive capital structure which should enable Pengrowth to compete more effectively in a tight acquisition environment.

On July 24, 2006 Pengrowth and Esprit Energy Trust (Esprit) announced that they had entered into an agreement to combine Pengrowth and Esprit (the Combination). As a result of the Combination, Pengrowth will acquire approximately 18,350 boe per day of current production, 71.7 million boe of proved plus probable oil and natural gas reserves and 250,000 net acres of undeveloped land, including shallow gas and coalbed methane potential, at a cost of approximately $72,450 per boe per day and $18.50 per boe of proved plus probable reserves, favourable metrics in today s competitive acquisition environment. The Combination is expected to be accretive to Pengrowth Unitholders on all pertinent financial and operational measures, including reserves, production and distributable cash flow per trust unit.

President s Message

Pengrowth continued to perform well during the second quarter. Oil and gas sales remained strong benefiting from Pengrowth s balanced production profile and the strength in crude prices which helped to offset the decline in natural gas pricing which began in the first quarter. As a result, distributable cash increased three percent quarter over quarter to $149 million resulting in a payout ratio of approximately 81 percent and withholdings of $28 million to help fund Pengrowth s development activities.

Pengrowth remained focused on its development opportunities during the quarter and continued to achieve encouraging results. Following a mid-year review of Pengrowth s development program a determination was made to increase the full year program from our original budget of $236 million to $261 million in recognition of incremental development opportunities available including an additional 140 Milk River well drilling program at Tilley as well as an expanded coalbed methane drilling program.

Pengrowth also made significant progress on several other fronts. On May 16, 2006, Pengrowth s Board of Directors announced its unanimous recommendation to remove Pengrowth s dual class structure. Pengrowth s Board of Directors elected to bring the consolidation proposal forward to unitholders for a vote having determined that the dual class structure was a significant impediment to the execution of Pengrowth s business plan. In making its determination, Pengrowth s Board of Directors considered the advice of its financial advisors including BMO Nesbitt Burns, Merrill Lynch and RBC Capital Markets whose findings concluded that the dual class structure resulted in:

- an inability to effectively raise capital at the lowest possible cost;
- a significant impediment to completing mergers or acquisitions using trust units as consideration;
- significantly reduced liquidity in the trading of Pengrowth s trust units;
- an inability to complete efficient equity financings; and
- a diversion of management s time.

On June 23, 2006, Pengrowth unitholders voted in excess of 98 percent in favour of consolidating the Class A and Class B trust units into a single class of units at the special and annual meetings.

The trust units were consolidated through a two-phase process with the final consolidation becoming effective following the close of markets on July 27, 2006. On July 28, 2006, Pengrowth trust units began trading as a consolidated trust unit on the Toronto Stock Exchange under the symbol PGF.UN and on the New York Stock Exchange under the symbol PGH.

The benefits of the consolidation have already begun to be realized and Management s commitment to enhancing unitholder value was further evidenced by the strategic business combination (the Combination) with Esprit Energy Trust which was announced subsequent to the quarter end on Monday, July 24, 2006. The combination remains subject to regulatory approval and the approval to two-thirds of Esprit unitholders and is expected to close on or about September 28, 2006.

Highlights of the Combination between Pengrowth and Esprit

Under the agreement, each Esprit unit will be exchanged for 0.53 of a Pengrowth unit.

In addition, Esprit s Board of Directors expects to pay a $0.30 per unit special distribution. This special distribution is expected to be paid immediately prior to the closing of the transaction. If and when declared, this is intended to effectively maintain the equivalent cash distribution to Esprit unitholders for 17 months.

Including the special distribution, the total consideration to be received by Esprit unitholders represents a 26 percent premium based on the closing prices on July 21, 2006 for each of the Esprit and Pengrowth units. This represents a substantial premium for Esprit Unitholders, almost ten times the average of all previous trust mergers. It also reflects an excellent opportunity for Pengrowth to acquire high quality, long life, natural gas weighted reserves through corporate acquisition at a cost of approximately $72,450 per boe per day and $18.50 per boe of proved plus probable reserves. These are favourable metrics in today s competitive acquisition environment.

The Combination is expected to be accretive to Pengrowth unitholders on all pertinent financial and operational measures, including reserves, production and distributable cash flow per trust unit.

The combination will provide Pengrowth with approximately 18,350 barrels of oil equivalent (boe) per day of current production, 71.7 million boe of proved plus probable oil and natural gas reserves, 250,000 net acres of undeveloped land and includes shallow gas and coalbed methane potential.

Esprit unitholders will be able to participate in a larger pool of development and growth opportunities, including Pengrowth s enhanced oil recovery programs, coalbed methane initiatives, oil sands assets and conventional development.

The transaction significantly reduces portfolio risk by creating a combined trust that will have a more diversified asset base and more balanced production mix than either entity on a stand-alone basis.

The combined trust will continue to hold Pengrowth s interests in five of the largest oil pools in western Canada which are expected to continue to deliver incremental reserves through technological advances in enhanced recovery.

The combined trust will have increased financial strength with a more competitive cost of capital which is critical in the tight acquisition market.

The Combination furthers Pengrowth s long term strategy of acquiring long life assets and provides a significant strategic fit in terms of assets, people and ongoing business philosophies. Following completion of the Combination, the combined trust will have total production of approximately 75,000 boe per day, weighted 52 percent to natural gas and 48 percent to oil and liquids, proved plus probable reserves of approximately 291 million boe and a reserve life index of 10.6 years.

The coming months promise to be both exciting and challenging. I am eager to capitalize on the opportunities ahead and look forward to welcoming new employees from Esprit to the Pengrowth team, including Esprit s Chairman of the Board Mr. Michael Stewart. I also would like to thank both Pengrowth s Board of Directors and our more than 300 team members for their exceptional efforts thus far in creating value for our unitholders and their continuing efforts going forward.

Summary of Financial and Operating Results

(thousands, except per unit amounts)	Three Months ended June 30 2006	Three Months ended June 30 2005	% Change	Six Months ended June 30 2006	Six Months ended June 30 2005	% Change
INCOME STATEMENT						
Oil and gas sales	$283,532	$253,189	12%	$ 575,428	$ 493,103	17%
Net income	$110,116	$ 53,106	107%	$ 176,451	$ 109,420	61%
Net income per trust unit	$ 0.69	$ 0.34	103%	$ 1.10	$ 0.71	55%
CASH FLOW						
Cash generated from operations	$118,326	$126,086	-6%	$ 309,925	$ 262,506	18%
Cash generated from operations per trust unit	$ 0.74	$ 0.80	-8%	$ 1.93	$ 1.69	14%
Distributable cash *	$149,080	$134,047	11%	$ 293,257	$ 261,851	12%
Distributable cash per trust unit *	$ 0.93	$ 0.86	8%	$ 1.83	$ 1.69	8%
Distributions paid or declared	$120,597	$110,268	9%	$ 240,899	$ 216,266	11%
Distributions paid or declared per trust unit	$ 0.75	$ 0.69	9%	$ 1.50	$ 1.38	9%
Payout ratio*	81%	82%	-1%	82%	83%	-1%
Development capital	$ 47,176	$ 29,016	63%	$ 122,254	$ 74,752	64%
Weighted average number of trust units outstanding	160,592	156,718	2%	160,372	155,062	3%
BALANCE SHEET						
Working capital				$ (97,150)	$ (90,479)	7%
Property, plant and equipment and other assets				$2,081,403	$2,141,769	-3%
Long term debt				$ 488,310	$ 461,508	6%
Unitholders equity				$1,430,850	$1,461,384	-2%
Unitholders equity per trust unit				$ 8.90	$ 9.23	-4%
Number of trust units outstanding at period end				160,777	158,283	2%
DAILY PRODUCTION						
Crude oil (barrels)	20,342	20,906	-3%	20,800	20,676	1%
Heavy oil (barrels)	4,869	5,641	-14%	4,943	5,842	-15%
Natural gas (mcf)	150,976	153,423	-2%	154,407	155,446	-1%
Natural gas liquids (barrels)	5,952	5,870	1%	6,101	6,106	0%
Total production (boe)	56,325	57,988	-3%	57,578	58,532	-2%
TOTAL PRODUCTION (mboe)	5,126	5,277	-3%	10,422	10,594	-2%

PRODUCTION PROFILE

Crude oil		36%		36%				36%		35%		
Heavy oil		9%		10%				8%		10%		
Natural gas		45%		44%				45%		44%		
Natural gas liquids		10%		10%				11%		11%		
AVERAGE REALIZED PRICES (after hedging)												
Crude oil (per barrel)	$	72.67	$	56.44	29%	$	67.91		$	55.45	22%	
Heavy oil (per barrel)	$	50.07	$	30.32	65%	$	39.52		$	27.27	45%	
Natural gas (per mcf)	$	6.76	$	7.34	-8%	$	7.77		$	7.09	10%	
Natural gas liquids (per barrel)	$	58.92	$	50.03	18%	$	58.57		$	50.26	17%	
Average realized price per boe	$	54.91	$	47.79	15%	$	54.98		$	46.38	19%	

* See the section entitled Non-GAAP Financial Measures

Summary of Trust Unit Trading Data

	Three Months ended June 30		Six Months ended June 30	
(thousands, except per trust unit amounts)	2006	2005	2006	2005
TRUST UNIT TRADING (Class A)				
PGH (NYSE)				
High	$ 25.00 U.S.	$ 22.74 U.S.	$ 25.15 U.S.	$ 22.94 U.S.
Low	$ 21.85 U.S.	$ 19.05 U.S.	$ 21.50 U.S.	$ 18.11 U.S.
Close	$ 24.09 U.S.	$ 22.25 U.S.	$ 24.09 U.S.	$ 22.25 U.S.
Value	$336,990 U.S.	$334,986 U.S.	$653,208 U.S.	$850,117 U.S.
Volume (thousands of trust units)	14,277	16,153	27,698	40,774
PGF.A (TSX)				
High	$ 28.50	$ 27.90	$ 28.96	$ 28.29
Low	$ 24.20	$ 23.95	$ 24.20	$ 22.15
Close	$ 26.70	$ 27.20	$ 26.70	$ 27.20
Value	$ 47,608	$ 46,405	$ 81,449	$ 99,672
Volume (thousands of trust units)	1,810	1,798	3,054	3,847
TRUST UNIT TRADING (Class B)				
PGF.B (TSX)				
High	$ 26.05	$ 19.01	$ 26.05	$ 19.90
Low	$ 22.41	$ 16.37	$ 20.71	$ 16.10
Close	$ 26.05	$ 18.40	$ 26.05	$ 18.40
Value	$459,628	$342,470	$879,690	$886,171
Volume (thousands of trust units)	18,982	19,370	37,321	48,589

The following discussion of financial results should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2005 and the interim unaudited consolidated financial statements for the six months ended June 30, 2006 and is based on information available to August 2, 2006.

Frequently Recurring Terms

For the purposes of this discussion, we use certain frequently recurring terms as follows: the Trust refers to Pengrowth Energy Trust, the Corporation refers to Pengrowth Corporation, Pengrowth refers to the Trust and the Corporation on a consolidated basis and the Manager refers to Pengrowth Management Limited.

Pengrowth uses the following frequently recurring industry terms in this discussion: bbls refers to barrels, boe refers to barrels of oil equivalent; mboe refers to a thousand barrels of oil equivalent, mcf refers to thousand cubic feet, gj refers to gigajoule and mmbtu refers to million British thermal units.

Advisory Regarding Forward-Looking Statements

This discussion contains forward-looking statements within the meaning of securities laws, including the safe harbour provisions of the Ontario *Securities Act* and the United States *Private Securities Litigation Reform Act of 1995*. Forward-looking information is often, but not always, identified by the use of words such as anticipate , believe , expect , plan , intend , forecast , target , project , may , will , should , could , estimate , predict or s future outcomes or language suggesting an outlook. Forward-looking statements in this discussion and analysis include, but are not limited to, statements with respect to: reserves, average 2006 production, production additions from Pengrowth s 2006 development program, the impact on production of divestitures in 2006, total operating expenses for 2006, 2006 operating expenses per boe, capital expenditures for 2006 and the breakdown of such capital expenditures for drilling, facilities and maintenance, land and seismic acquisition and re-completions, work-overs, and CO_2 pilot. Statements relating to reserves are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described exist in the quantities predicted or estimated and can profitably be produced in the future.

Forward-looking statements and information are based on Pengrowth s current beliefs as well as assumptions made by and information currently available to Pengrowth concerning anticipated financial performance, business prospects, strategies and regulatory developments. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations and anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to: the volatility of oil and gas prices; production and development costs and capital expenditures; the imprecision of reserve estimates and estimates of recoverable quantities of oil, natural gas and liquids; Pengrowth s ability to replace and expand oil and gas reserves; environmental claims and liabilities; incorrect assessments of value when making acquisitions; increases in debt service charges; the loss of key personnel; the marketability of production; defaults by third party operators; unforeseen title defects; fluctuations in foreign currency and exchange rates; inadequate insurance coverage; compliance with environmental laws and regulations; changes in tax laws; the failure to qualify as a mutual fund trust; and Pengrowth s ability to access external sources of debt and equity capital. Further information regarding these factors may be found under the heading Risk Factors in Pengrowth s most recent Annual Information Form, its most recent consolidated financial statements, management s discussion and analysis, management s information circular, quarterly reports, material change reports and news releases. Copies of the Trust s Canadian public filings are available on SEDAR at www.sedar.com . The Trust s U.S. public filings, including the Trust s most recent annual report form 40-F as supplemented by its filings on form 6-K, are available at www.sec.gov.

Pengrowth cautions that the foregoing list of factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Pengrowth, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Furthermore, the forward-looking statements contained in this discussion are made as of the date of this discussion and Pengrowth does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. The forward-looking statements contained in this discussion are expressly qualified by this cautionary statement.

Critical Accounting Estimates

As discussed in Note 1 to the financial statements, the financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the period then ended.

The amounts recorded for depletion, depreciation and amortization of injectants and the provision for asset retirement obligations are based on estimates. The ceiling test calculation is based on estimates of proved reserves, production rates, oil and natural gas prices, future costs and other relevant assumptions. As required by National Instrument 51-101 (NI 51-101), Pengrowth uses independent qualified reserve evaluators in the preparation of reserve evaluations. By their nature, these estimates are subject to measurement uncertainty and changes in these estimates may impact the consolidated financial statements of future periods.

Non-GAAP Financial Measures

This discussion refers to certain financial measures that are not determined in accordance with GAAP in Canada or the United States. These measures do not have standardized meanings and may not be comparable to similar measures presented by other trusts or corporations. Measures such as funds generated from operations, distributable cash, distributable cash per trust unit, payout ratio and operating netbacks do not have standardized meanings prescribed by GAAP. We discuss these measures because we believe that they facilitate the understanding of the results of our operations and financial position.

Conversion and Currency

When converting natural gas to equivalent barrels of oil within this discussion, Pengrowth uses the international standard of six thousand cubic feet to one barrel of oil equivalent. Barrels of oil equivalent may be misleading, particularly if used in isolation; a conversion ratio of six mcf of natural gas to one boe is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Production volumes, revenues and reserves are reported on a company interest gross basis (before royalties) in accordance with Canadian practice. All amounts are stated in Canadian dollars unless otherwise specified.

RESULTS OF OPERATIONS

Production

Average daily production for the second quarter of 2006 decreased four percent from the first quarter of 2006. This decrease is attributable primarily to operational curtailments at the Sable Offshore Energy Project (SOEP) partially offset by the additional production from the Dunvegan area acquisition which closed on March 30, 2006. Production for both the second quarter and first half of 2006 decreased from the same periods in 2005 as additions from Judy Creek improved gas sales and the Dunvegan area acquisition were not able to offset the operational downtime at SOEP and natural production declines.

At this time, Pengrowth is increasing the lower end of its forecast range to 56,000 from 55,500 boe per day resulting in revised full year production guidance of 56,000 to 57,500 boe per day. This estimate incorporates anticipated production additions from planned 2006 development activities. Offsetting these additions are the Monterey and other minor previously disclosed divestitures of approximately 1,300 boe per day and expected production declines from normal operations. The above estimate excludes the impact from the Esprit business combination announced on July 24, 2006 and any potential impact from other acquisitions or divestitures.

Daily Production

	Three months ended			Six months ended	
	Jun 30, 2006	Mar 31, 2006	Jun 30, 2005	Jun 30, 2006	Jun 30, 2005
Light crude oil (bbls)	20,342	21,262	20,906	20,800	20,676
Heavy oil (bbls)	4,869	5,018	5,641	4,943	5,842
Natural gas (mcf)	150,976	157,876	153,423	154,407	155,446
Natural gas liquids (bbls)	5,952	6,252	5,870	6,101	6,106
Total boe per day	56,325	58,845	57,988	57,578	58,532

Light crude oil production volumes for the second quarter of 2006 decreased four percent from the first quarter of 2006 and three percent from the second quarter of 2005 due to natural production declines. For the first six months of

2006 versus the same period in 2005, production increased minimally as improvements at Weyburn, Judy Creek and Swan Hills offset natural production declines.

Heavy oil production decreased three percent in the second quarter of 2006 from the first quarter of 2006 due to natural production declines. The 14 percent decrease in production for the second quarter of 2006 compared to the second quarter of 2005 is attributable to natural production declines particularly at partner operated properties. On a year-to-date basis, production decreased 15 percent due to natural production declines.

Natural gas production for the second quarter of 2006 decreased four percent from the first quarter of 2006. This decrease is primarily due to the curtailed production at SOEP, partially offset by the Dunvegan area acquisition. Operational downtime and a compressor installation at SOEP during the second quarter decreased gas volumes by 3,700 mcf per day with a return to full production expected in the third quarter. The production for the second quarter of 2006 compared to the second quarter of 2005 decreased two percent. Additions from increased gas sales at Judy Creek due to lower residue gas solvent demand

and the Dunvegan area acquisition were more than offset by SOEP operational curtailments, natural production decline and the Monterey divestment which closed on January 12, 2006. For the first six months of 2006 compared to the same period in 2005, production decreased by one percent. Additional production volumes from increased gas sales at Judy Creek due to lower residue gas solvent demand, ongoing development activities, particularly the Prespatou and Princess drilling programs completed in the second half of 2005, and the Crispin acquisition, were more than offset by SOEP operational downtime, the Monterey divestment and natural production declines.

Natural gas liquids (NGLs) production for the second quarter of 2006 decreased five percent from the first quarter of 2006 primarily due to production curtailments at SOEP. In comparing the second quarter of 2006 to the second quarter of 2005, production increased just over one percent. Production for the first half of 2006 remained flat in comparison to the first half of 2005.

Pricing and Commodity Price Hedging

The increase in U.S. based prices for North American crude oil was partially offset by the negative impact of the rising Canadian dollar. Natural gas prices in North America continued to decline in the second quarter of 2006 from the first quarter of 2006.

Average Realized Prices

	Three months ended			Six months ended	
(Cdn$)	**Jun 30, 2006**	Mar 31, 2006	Jun 30, 2005	**Jun 30, 2006**	Jun 30, 2005
Light crude oil (per bbl)	**75.67**	65.06	62.22	**70.27**	60.16
after hedging	**72.67**	63.31	56.44	**67.91**	55.45
Heavy oil (per bbl)	**50.07**	29.18	30.32	**39.52**	27.27
Natural gas (per mcf)	**6.69**	8.74	7.25	**7.72**	7.05
after hedging	**6.76**	8.76	7.34	**7.77**	7.09
Natural gas liquids (per bbl)	**58.92**	58.23	50.03	**58.57**	50.26
Total per boe	**55.80**	55.62	49.65	**55.71**	47.94
after hedging	**54.91**	55.04	47.79	**54.98**	46.38
Benchmark prices					
WTI oil (U.S.$ per bbl)	**70.72**	63.48	53.22	**67.13**	51.66
AECO spot gas (Cdn$ per gj)	**5.95**	8.79	6.99	**7.37**	6.67
NYMEX gas (U.S.$ per mmbtu)	**6.76**	8.98	6.73	**7.87**	6.50
Currency (U.S. $/Cdn$)	**0.89**	0.87	0.80	**0.88**	0.81

As part of our financial management strategy, Pengrowth uses forward price swap and option contracts to manage its exposure to commodity price fluctuations, to provide a measure of stability to monthly cash distributions and to partially secure returns on significant new acquisitions.

Hedging Losses (Gains)

	Three months ended			Six months ended	
	Jun 30, 2006	Mar 31, 2006	Jun 30, 2005	**Jun 30, 2006**	Jun 30, 2005
Light crude oil ($ millions)	**5.6**	3.3	11.0	**8.9**	17.6
Light crude oil ($ per bbl)	**3.00**	1.75	5.78	**2.36**	4.71
Natural gas ($ millions)	**(1.0)**	(0.3)	(1.2)	**(1.3)**	(1.1)

Natural gas ($ per mcf)	**(0.07)**	(0.02)	(0.09)	**(0.05)**	(0.04)
Combined ($ millions)	**4.6**	3.0	9.8	**7.6**	16.5
Combined ($ per boe)	**0.89**	0.58	1.86	**0.73**	1.56

Commodity price hedges in place at June 30, 2006 are provided in Note 10 to the Financial Statements. At June 30, 2006, the mark-to-market value of the fixed price financial sales contracts represented a potential loss of $16.5 million, which includes $3.4 million that has been recognized on the income statement in the second quarter.
In conjunction with the Murphy acquisition, which closed in 2004, Pengrowth assumed certain fixed price natural gas sales contracts and firm pipeline demand charge contracts associated with the Murphy reserves. Under these contracts, Pengrowth is obligated to sell 3,886 mmbtu per day, until April 30, 2009 at an average remaining contract price of Cdn $2.31 per mmbtu. As required by GAAP, the fair value of the natural gas sales contract was recognized as a liability based on the mark-to-market value at May 31, 2004. The liability at June 30, 2006 of $15.6 million for the contracts will continue to be drawn down and recognized in income as the contracts are settled. As this is a non-cash component of income, it is not included in the calculation of distributable cash. At June 30, 2006, the mark-to-market value of the fixed price physical sales contract represented a potential loss of $22.5 million.

Oil and Gas Sales Contribution Analysis

($ millions)	Three months ended						Six months ended			
Sales Revenue	**Jun 30, 2006**	**% of total**	Mar 31, 2006	% of total	Jun 30, 2005	% of total	**Jun 30, 2006**	**% of total**	Jun 30, 2005	% of total
Light crude oil	**134.6**	**47**	121.1	41	107.4	42	**255.7**	**45**	207.5	**42**
Natural gas	**92.8**	**33**	124.4	43	102.6	41	**217.2**	**38**	199.5	**41**
Natural gas liquids	**31.9**	**11**	32.8	11	26.7	11	**64.7**	**11**	55.5	**11**
Heavy oil	**22.2**	**8**	13.2	5	15.5	6	**35.4**	**6**	28.8	**6**
Brokered sales/sulphur	**2.0**	**1**	0.4		1.0		**2.4**		1.8	
Total oil and gas sales	**283.5**		**291.9**		253.2		**575.4**		493.1	

Oil and Gas Sales Price and Volume Analysis

The following table illustrates the effect of changes in prices and volumes on the components of oil and gas sales, including the impact of hedging, for the second quarter of 2006 compared to the first quarter of 2006.

($ millions)	Light oil	Natural gas	NGL	Heavy oil	Other	Total
Quarter ended March 31, 2006	121.1	124.4	32.8	13.2	0.4	291.9
Effect of change in product prices	19.6	(28.2)	0.4	9.2		1.0
Effect of change in sales volumes	(4.1)	(4.1)	&nbs			