NEWS RELEASE

JULY 3, 2012 **SYMBOL: PEY-TSX**

PEYTO EXPLORATION & DEVELOPMENT CORP. ENTERS INTO AGREEMENT TO ACQUIRE OPEN RANGE ENERGY CORP.

Peyto Exploration & Development Corp. (TSX: PEY) ("**Peyto**") is pleased to announce that it has entered into an agreement with Open Range Energy Corp. (TSX: ONR) ("**Open Range**") pursuant to which Peyto will acquire all of the issued and outstanding common shares of Open Range ("**Open Range Shares**") on the basis of 0.0696 of a Peyto common share for each Open Range common share pursuant to a statutory plan of arrangement (the "**Arrangement**").

Peyto's President and CEO Darren Gee commented on the Arrangement:

> "At Peyto we pride ourselves in being able to deliver great returns to our shareholders by profitably building superior energy assets. After thirteen years in business, Peyto's asset base is considered one of the best in the North American energy industry with long reserve life, low operating costs, high netbacks, high operatorship and a large inventory of high quality undeveloped reserves that will deliver strong returns for many years. Our Deep Basin expertise and the Open Range assets are a great fit. We believe the acquisition of Open Range will realize returns that are similar to what we've achieved in the past."

Based on the twenty day volume weighted average trading price of the Peyto common shares on the TSX on June 29, 2012, the deemed acquisition price is approximately $175 million, comprised of the issuance of 5.2 million Peyto common shares, the assumption of an estimated $69.5 million of net debt at closing, and $10 million of transaction costs.

Using the twenty day volume weighted average trading price of Peyto common shares on the TSX on June 29, 2012 of $18.39, the exchange ratio represents a 25% premium to the closing price and twenty day volume weighted average trading price of the Open Range Shares on June 29, 2012 of $1.02.

The Arrangement will provide Open Range shareholders with enhanced liquidity and participation in one of the fastest growing, most profitable E&P companies in Canada; a company with a proven track record of creating shareholder value.

Additional benefits to Open Range shareholders include:

- Immediate creation of value in the form of the exchange premium referred to above;
- A $0.06/share monthly dividend;
- Significantly stronger balance sheet - pro forma Q1 2012 net debt to funds from operations ratio of 1.7 times;
- The lowest total cash costs in the industry delivering substantially greater profitability;
- The longest producing reserve life in the industry; and
- Operational and infrastructure synergies for even greater long-term shareholder value creation.

Completion of the Arrangement, which is anticipated to occur in mid August 2012, is subject to, among other things, the approval of at least 66⅔% percent of the Open Range shareholders voting at a special meeting to be held in August 2012 and the receipt of approval of the court and other customary closing conditions.

The board of directors of Open Range has unanimously approved the Arrangement and, based in part on a fairness opinion from Open Range's financial advisor, determined that the Arrangement is in the best interests of Open Range and is fair to Open Range shareholders. The Open Range board of directors has also resolved to recommend that Open Range shareholders vote their common shares in favour of the Arrangement. All of the directors and officers of Open Range, representing approximately 8.3% of the Open Range Shares, have entered into support agreements pursuant to which they have agreed to vote their Open Range Shares in favour of the Arrangement.

Open Range has agreed not to solicit or initiate any discussion regarding any other business combination or sale of material assets. Open Range has also granted Peyto a right to match any superior proposal and has agreed to pay a termination fee of $5.0 million to Peyto in certain circumstances, including if Open Range recommends, approves or enters into an agreement with respect to a superior proposal.

ACQUISITION HIGHLIGHTS

- Approximately 31 mmcf/d and 460 bbl/d of long life, natural gas and liquids production.
- Of this production over 98% will be operated by Peyto and processed in Peyto owned and operated facilities.
- Over 125 gross (110 net) sections of land primarily in the Sundance/Ansell area of the Alberta Deep Basin.
- Ownership and control of two strategically positioned gas plants in the Sundance/Ansell area with the option to install deep cut processing facilities. These plants have approximately 25 MMcf/d of unutilized processing capacity that adds immediate value to existing and future Peyto wells.
- Peyto has identified over 100 high rate of return, drilling locations offering sweet, liquids-rich potential in the five main formations that Peyto has already been actively developing (Cardium, Notikewin, Falher, Wilrich and Bluesky). These will complement Peyto's existing inventory of over 900 drilling locations.
- Over 115 square miles of three dimensional seismic data covering the Open Range lands.

STRATEGIC ACQUISITION RATIONALE

This acquisition represents the first corporate acquisition in Peyto's thirteen year history. It is a unique opportunity that is consistent with Peyto's strategy of being geographically focused, controlling the infrastructure, and pursuing low-cost, long-life production.

The Open Range properties are a natural fit with Peyto's Greater Sundance core area where over $2.3 billion of capital projects over the last thirteen years have resulted in the discovery of over 2.4 TCFe of natural gas and NGLs. Open Range's plant and pipeline infrastructure compliments Peyto's existing core assets and bridges to other proven Peyto lands on the outskirts of the main Sundance area. This will allow for the accelerated development of these Peyto step-out areas.

Upon completion of the Arrangement, Peyto intends to aggressively develop the numerous drilling opportunities identified on the Open Range lands by deploying two additional drilling rigs, beyond the six that are currently running on Peyto lands. It is anticipated that up to 55 gross (45 net) wells will be drilled over the next three years for a cumulative capital investment that is currently estimated at $245 million. Much like Peyto's Greater Sundance area where successful drilling activity has generated years of additional development opportunities, Peyto expects the Open Range lands to ultimately yield many more locations beyond those currently identified.

Integration of the acquired properties is not anticipated to displace any of Peyto's existing growth plans.

OUTLOOK AND UPDATED 2012 BUDGET

In addition to Peyto's existing 2012 capital program of $400 million, which is expected to yield year-end exit production above 50,000 boe/d, Peyto expects to invest approximately $50 million into the Open Range assets between the anticipated mid-August closing and the end of 2012. Based on similar capital efficiencies of $17,500/boe/d and an expected base decline of 25%, it is anticipated that the Open Range assets will be producing 7,000 boe/d by year-end. On a post-acquisition basis, Peyto production is forecast to exit 2012 at 57,000 boe/d. The capital program expansion and Open Range acquisition will also allow Peyto to realize significantly higher production growth rates in anticipation of higher natural gas prices.

Shareholders and interested investors are encouraged to visit the Peyto website at www.peyto.com where a monthly president's report allows you to follow the progress of the capital program and ensuing production growth. An updated investor presentation will also be available which further illustrates the acquired properties in relation to Peyto's existing core assets.

For more information on the Arrangement and the Arrangement Agreement entered into with Open Range refer to the full arrangement agreement, a copy of which will be filed by Open Range on SEDAR and will be available for viewing under Open Range's SEDAR profile on www.sedar.com.

For further information, please contact:

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READER ADVISORIES

Non-IFRS Measures

This news release includes references to financial measures commonly used in the oil and gas industry such as "funds from operations" and "net debt", which do not have any standardized meaning prescribed by International Financial Reporting Standards ("IFRS"). Management believes that in addition to net income, funds from operations and net debt are useful supplemental measures as they are a measure of a company's ability to generate the cash necessary to repay debt or fund future growth through capital investment. However, investors are cautioned that these measures should not be construed as an alternative to net income determined in accordance with IFRS as an indication of the Peyto's performance. The method of calculating these measures may differ from other companies and, accordingly, they may not be comparable to similar measures used by other companies. For these purposes, "funds from operations" is defined as cash provided by operations before changes in non-cash working capital and "net debt" is defined as long-term bank debt plus working capital (adjusted for the fair value of financial instruments and future taxes).

Forward-looking Information

This press release contains forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information. More particularly and without limitation, this press release contains forward looking information concerning Peyto's anticipated petroleum and natural gas production, funds from operations, debt levels, capital efficiency and capital spending both before and after giving effect to the Arrangement, as well as Peyto's future drilling prospects, business strategy, future development and growth opportunities, prospects, asset base and anticipated benefits from the Arrangement, including accretion to Peyto on certain operational and financial measures and operating efficiencies. The forward-looking information is based on certain key expectations and assumptions made by Peyto, including expectations and assumptions concerning: prevailing commodity prices and exchange rates; applicable royalty rates and tax laws; future well production rates and reserve volumes; the timing of receipt of regulatory and shareholder approvals; the performance of existing wells; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; and the availability and cost of labour and services. Although Peyto believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Peyto can give no assurances that they will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature it involves inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of estimates and projections relating to reserves, production, costs and expenses; health, safety and environmental risks; commodity price and exchange rate fluctuations; marketing and transportation; loss of markets; environmental risks; competition; incorrect assessment of the value of acquisitions including the Arrangement; failure to realize the anticipated benefits of acquisitions including the Arrangement; ability to access sufficient capital from internal and external sources; failure to obtain required regulatory and other approvals; and changes in legislation, including but not limited to tax laws, royalties and environmental regulations. There are risks also inherent in the nature of the proposed Arrangement, including failure to realize anticipated production increases and anticipated cost savings and other synergies; risks regarding the integration of Open Range into Peyto;

incorrect assessment by Peyto of the value of Open Range; and failure to obtain the required shareholder, court, regulatory and other third party approvals.

This press release also contains forward-looking information concerning the anticipated completion of the Arrangement and the anticipated timing thereof. Peyto has provided these anticipated times in reliance on certain assumptions that it believes are reasonable, including assumptions as to the time required to prepare meeting materials for mailing, the timing of receipt of the necessary regulatory and court approvals and the satisfaction of and time necessary to satisfy the conditions to the closing of the Arrangement. These dates may change for a number of reasons, including unforeseen delays in preparing meeting materials, inability to secure necessary regulatory or court approvals in the time assumed or the need for additional time to satisfy the conditions to the completion of the Arrangement. In addition, there are no assurances the Arrangement will be completed. Accordingly, readers should not place undue reliance on the forward-looking information contained in this press release concerning these times.

Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Peyto, or its operations or financial results, are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or Peyto's website (www.peyto.com).

The forward-looking information contained in this press release is made as of the date hereof and Peyto undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless expressly required by applicable securities laws.

Boe Equivalent

Disclosure provided in respect of barrels of oil equivalent (boe) and thousand cubic feet of gas equivalent (mcfe) may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl and an mcfe conversion ratio of 1 bbl: 6 Mcf) are each based on an energy equivalency conversion method primarily applicable at the burner tip and do not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 Mcf: 1 bbl, utilizing a conversion ratio of 6 Mcf: 1 bbl may be misleading as an indication of value.