PEYTO Energy Trust

President's Monthly Report

November 2007 From the desk of Darren Gee, President & CEO

Happy Halloween! I'm beginning to dislike this time of year. Well, it's official. The Alberta government has digested the Royalty Review Panel's report and made a decision. A populist decision, that appears to gamble with the prosperity of Albertans. I doubt the same electorate, to which this decision panders, will be very forgiving should it prove to be the wrong one. It is interesting that they decided to wait until January 1, 2009 to implement the new royalty regime. It is almost as if they are waiting to see if the capital investment really evaporates, as they have been forewarned. Perhaps the "unintended consequences" of reduced investment and an economic slowdown, will persuade them to revamp the new regime before it even goes into action; after they have been elected to office, of course. At Peyto, we will keep moving forward, ensuring our investments generate a solid return for unitholders, regardless of royalty regime.

As in the past, this report includes an estimate of monthly capital spending, as well as our field estimate of production for the most recent month (see Capital Investment and Production tables below).

Capital Investment

*2007 Capital Summary (millions$ CND)**

	Q1	Apr	May	Jun	Q2	July	Aug	Sept	Q3	2007 YTD
Land & Seismic	1	0	1	0	1	0	0	1	1	2
Drilling	16	0	0	6	6	7	6	6	20	42
Completions	10	1	0	3	4	5	3	4	11	25
Tie ins	3	1	0	0	1	2	3	5	10	14
Facilities	1	0	0	0	0	0	0	0	0	1
Other	0	0	0	0	0	0	0	0	0	0
Total	**30**	**2**	**1**	**9**	**13**	**14**	**13**	**16**	**43**	**85**

This is an estimate based on real field data, not a forecast, and the actual numbers will vary from the estimate due to accruals and adjustments. Such variance may be material.

Production

*2007 Production ('000 boe/d)**

	Q1	Q2	Jul	Aug	Sept	Q3	Oct	Nov	Dec	Q4	2007
Sundance	16.9	16.3	15.6	16.1	16.4	16.0	16.7				
Kakwa	2.2	2.2	2.1	2.1	1.7	2.0	2.9				
Other	2.3	2.1	1.6	1.9	1.9	1.8	1.5				
Total	**21.4**	**20.5**	**19.3**	**20.1**	**20.0**	**19.8**	**21.0**	**-**	**-**	**-**	

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"It's just a flesh wound!"

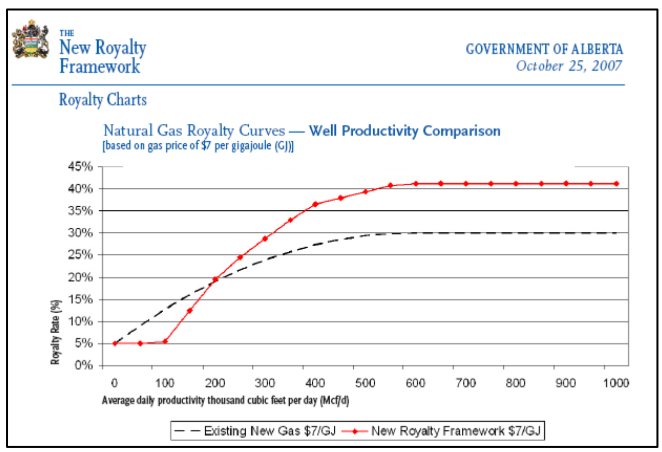
The New Royalty Framework for Alberta was announced on October 25, 2007 by Premier Ed Stelmach. The new royalty regime is scheduled to commence January 1, 2009. Although the general terms of the new regime have been outlined on the Crown's website, it is still somewhat unclear what exact effect the implementation will have on Peyto's cashflow, asset value and future drilling economics. For the interim we have assumed that the depth factor royalty adjustment will apply to all current and future gas wells.

Existing Cashflow

Even though the new regime does not come into effect until January 2009, we have evaluated the regime as though it was in effect for our September production volumes with a reference price equal to a monthly average price of \$6.50/GJ. In that instance, Peyto would pay approx. \$5.5MM per month in gas royalties under the existing royalty regime with an estimated monthly Deep Gas Royalty credit of \$0.4MM, resulting in a total of \$5.1MM. Under the new regime, the gas royalties would be \$5.3MM per month (approx. 4% more) including an estimate for the Depth Factor adjustment. In addition to the gas royalties, an increase in the flat rate pentane (condensate) royalty from 33% to 40% would result in an extra \$350k/month. In total, the new regime would translate into an increase of approximately \$570k/month or \$6.8MM/yr.

At higher gas prices, say \$8/GJ, the gas royalty rate increases from \$6.4MM/month to \$7.8MM/month (approx. 22% increase). Demonstrating that as the price goes up, so does the government's proportionate take.

This analysis is, of course, a snapshot in time. The current production rates will not be the same come January 2009. As production from Peyto's wells continues to decline, so too will the royalty rate for both the old and new regimes. At some point in the future our wells will pay a lower royalty rate under the new regime than the old. At \$7/GJ gas price, for instance, the new regime crosses over the old around 220 mcf/d.



Existing Net Asset Value (NAV)

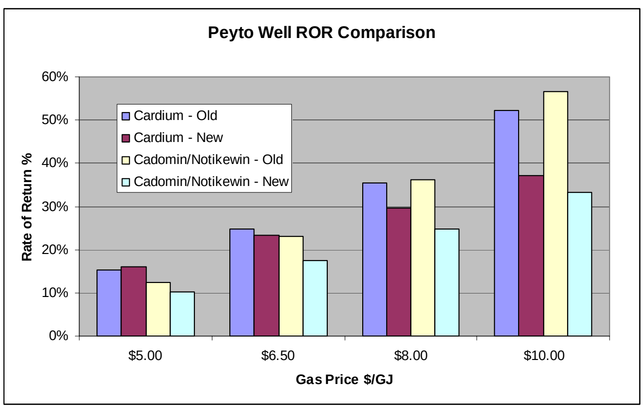
Although our independent engineering firm, Paddock Lindstrom and Associates, have not yet revised their software to be able to run the corporate reserve deck with the new royalty regime, we anticipate the impact will ***not*** be material. In fact, when we model an existing, stabilized Cardium well, we find that the NPV_8 of the remaining reserves is actually greater under the new royalty regime than under the old, for prices less than about $8/GJ.

Existing Sundance Cardium Well		
Remaining Recoverable Reserves (bcf)	0.7	
Current Production Rate (mcf/d)	250	
Gas Price ($/GJ)	Old Regime BT NPV8 (k$)	New Regime BT NPV8 (k$)
$6.50	2,603	2,693
$8.00	3,176	3,181
$10.00	3,944	3,745

Future Drilling Economics

Future deep basin drilling projects have been evaluated using the new royalty regime as compared to the existing scheme. For all of the zones that Peyto targets and for all of the gas price scenarios one can reasonably expect in the future, the new regime is more punitive than the old. Peyto's low cost structure, both capital and operating, creates an advantage over the competition, whose economics may not be sustainable under the new regime.

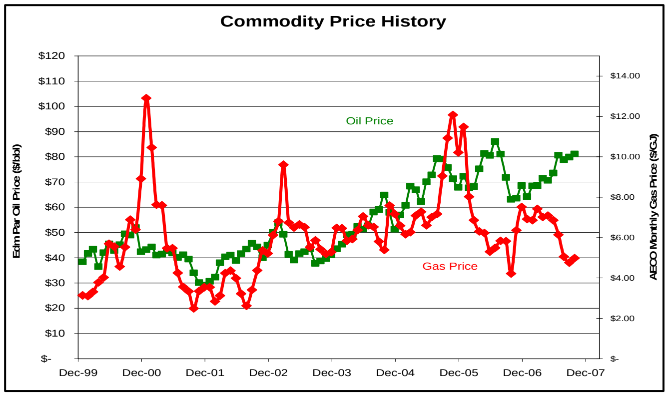
The rate of return for both Cardium and dual Cadomin/Notikewin drilling projects are presented in the chart below at varying gas prices. This illustrates the increased "take" as commodity prices rise. At current gas prices of $6.50/GJ the rate of return is only slightly impacted, but at higher prices of $8/GJ and $10/GJ a greater percentage of the profit is transferred to the Crown.



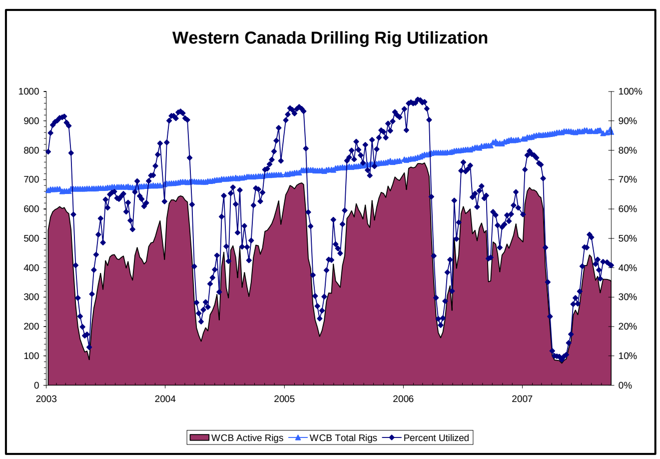
Given our low cost structure and the fact that all of our assets are deep basin tight gas, we will likely be impacted the least relative to others in Alberta. Conventional gas and oil are definitely hit the hardest. Some of Alberta's junior oil companies will be mortally wounded by this new regime.

Commodity Prices and Activity Levels

Gas prices for the next 10 months are offered at $6.50/GJ. Not necessarily a bad price when you consider that it's above the average price for 4 of the last 5 years. With cost structures that are coming back in line with these prices, the environment was definitely starting to look up. Now with the new government take, we will look to reduce cost structure even more to preserve our returns on future drilling projects.



Recent announcements by Australia's Woodside Petroleum regarding LNG contracts with PetroChina were a refreshing surprise. It appears the Chinese are willing to pay up to secure LNG supply starting in 2015. *"Chinese media reported that the LNG deal between Shell and PetroChina for Gorgon gas was priced at about $10 per million British thermal units (mmbtu)".* If that is to be the price of gas around the globe in the future, it bodes well for domestic North American supplies. Peyto's long reserve life ensures we will still be producing deep basin reserves at that time and selling into that strong gas price market.



Rig utilization continues to stagnate. The impact of the royalty regime change should start to show itself in Alberta's rig count. Western Canada rig utilization will not necessarily display that effect as rigs exit this province for neighboring provinces.

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