PEYTO Energy Trust

President's Monthly Report

February 2008 — From the desk of Darren Gee, President & CEO

The market in general has not been too kind to investors so far in 2008 (Peyto units included), but here at Peyto *business* is definitely headed in the right direction. Costs are down, commodity prices are showing signs of improvement and opportunities are becoming plentiful. We have begun the year with a much greater sense of optimism in both the future and our ability to deliver a more profitable return on the capital we put to work for Unitholders.

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

2007/08 Capital Summary (millions$ CND)*

	Q1	Q2	Q3	Oct	Nov	Dec	Q4	2007 YTD
Land & Seismic	1	1	1	0	0	0	0	3
Drilling	16	6	20	8	7	2	18	60
Completions	10	4	11	3	5	4	12	37
Tie ins	3	1	10	1	1	3	5	20
Facilities	1	0	0	0	0	0	0	2
Other	0	0	0	0	0	0	0	0
Total	**30**	**13**	**43**	**13**	**14**	**10**	**36**	**121**

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. Tables may not add due to rounding.

Production

2007/08 Production ('000 boe/d)*

	Oct	Nov	Dec	Q4	2007	Jan	Feb	Mar	Q1
Sundance	16.7	16.7	16.9	16.8	16.5	16.6			
Kakwa	2.9	2.9	2.5	2.7	2.3	2.7			
Other	1.5	1.4	1.3	1.4	1.9	1.3			
Total	**21.0**	**21.0**	**20.7**	**20.9**	20.7	**20.6**	-	-	-

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Peyto the Prius?

In 2006, it was the Canadian Federal Government's decision to tax trust distributions come 2011. In 2007, it was the Alberta government's new royalty framework. In 2008, it is sounding like it will be environmental legislation. Every year it seems, the oil and gas industry in Western Canada is hit with more government intervention, restricting the ability of our industry to respond to the needs of a hydrocarbon hungry world.

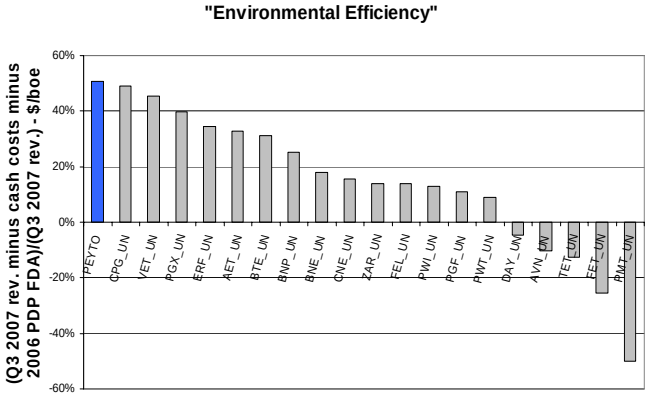
Fortunately for Peyto Unitholders, the efficiency of our business and the success of our strategy have insulated us from the majority of these restrictions. Unit prices may be down and may not reflect the value of our underlying assets but, that has not restricted our ability to execute on our business plan. New gas reserves are being found and developed which are contributing to long term sustainability.

So then, what impact might new environmental legislation have? That depends on how "friendly" we already are.

As I've said before, the Peyto strategy is to "design, drill and build" our own high quality, long reserve life assets. As a result, we focus on investments that are both efficient and responsible, which are ultimately friendlier to the environment than other types of oil and gas investments. These long term assets look more attractive to us because they offer low operating costs (less waste) and long useful life (less impact) over time. Valuing investments with high discount factors leads to a short term approach that ignores liability, creates waste, and has a greater impact over time. Acquisitions and divestitures often pass this liability along. As an example, look at Peyto's ratio of producing to non-producing wells relative to the acquiring business models that "pass around" the environmental liability.

Cost Efficiency

As one of the lowest cost operators in the business, we are also the most efficient, and therefore, by default, we have the least impact on the environment. We maximize our use of wells, roads, pipelines and facilities to achieve this low cost structure. If we were to consider environmental impact from the perspective of profit margin, or how much energy we consume to bring a barrel of oil equivalent to the market, Peyto uses the least amount of profit with the highest margin. Peyto produces a high heat content, liquid component rich, sweet natural gas that garners some of the highest revenue per boe - even when compared to $100/bbl oil! This type of natural gas requires no disposal of unwanted waste like hydrogen sulfide or saline water. When one subtracts from the revenue our basic cash costs for operations, interest expense, G&A, and even the cost to replace that producing barrel, we are left with a significant margin. Figure 1 below, shows the comparison of the remaining profit as a percentage of the total revenue, for the trust sector using Q3 2007 revenue and cash costs and 2006 replacement costs.



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Field Operations

As I discussed last July, Peyto conducts very conventional oil and gas operations in the field. We drill new wells, complete and pipeline them into our newly constructed facilities for production. But just because we operate conventionally doesn't mean we are cavalier about our possible impact on the environment. We have incorporated, along the way, practices and procedures that go far beyond the guidelines and requirements of Alberta Environment.

Take our drilling operations for example. We utilize remote sump drilling systems in order to reuse and recycle the drilling mud that lubricates the bit and cleans the hole. We use water-based drilling fluids rather than oil-based to minimize the cuttings that are dumped in landfills. We engineer our drilling procedures and optimize our bit selections in order to minimize our drilling time, thus using less fuel for the drilling rigs, crew trucks, pumps and motors. In addition, we are very focused in concentrated, year round areas, requiring only short moves of rigs and equipment from one location to the next.

Completions are also designed to have less impact. Our fracturing fluids are energized with Nitrogen rather than Carbon Dioxide which minimizes our greenhouse gas emissions. Larger diameter wellbore design reduces the horsepower required to crack the rock for stimulation. Our predictable and repeatable approach even allows us to connect most wells to the pipeline before completing the zones. This early pipeline connection allows us to conserve the gas while evaluating the wells, rather than flare or vent the gas to the atmosphere.

Our wellsites are often equipped with electronic flow measurement and combined with telemetry communications in areas where roads would make too large an impact which thereby reduces the frequency of fuel intensive operator inspection. In addition, our central facilities are modular in their construction so that individual components can be moved and reconnected to ensure maximum utilization.

Most of these practices are over and above the basic requirements of the provincial and federal regulator. In some cases, they also serve to reduce cost and improve efficiency.

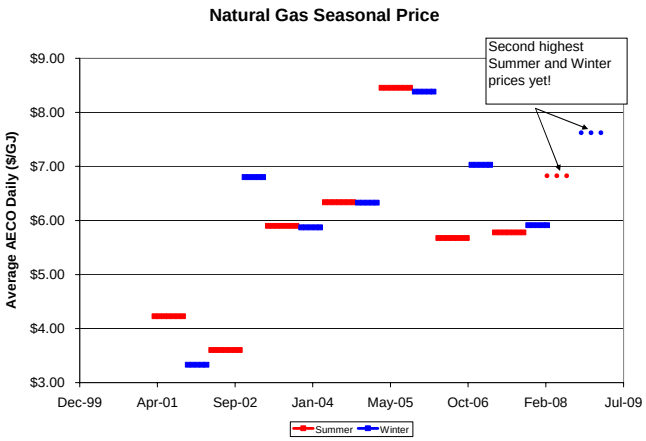
Energy for the Prius

I read in the news how Toyota was planning on bringing a completely electrical "plug-in" vehicle to market by 2010, and how sales of their Prius hybrid vehicle have skyrocketed. Obviously this shift in consumer car choice is driven by high gasoline prices resulting from high oil prices. So, what if that is the future of automobiles? The power to charge all those batteries has to be generated somewhere. And the cleanest burning fuel to run those generators? Natural gas. So it is conceivable, in the not too distant future, that natural gas will fire the generators, which produce the electricity, that charge the batteries, which run your Prius. In effect, a natural gas powered car. Who provides the natural gas for the millions of vehicles on the road today? We do. *The more environmentally friendly fuel of the future.*

Commodity Prices and Activity Levels

I've recently had an opportunity to study the results of a cost analysis, released this past November, about the U.S. Natural Gas E&P industry. The study, by Simmons and Company International, outlines finding and development costs as well as threshold prices for 19 different gas basins in the United States. These basins would include areas like the Barnett Shale in Texas, the Green River basin in Wyoming (Jonah and Pinedale fields), and offshore in the Gulf of Mexico. Since we are both participating in the same North American natural gas market, I was trying to discover what is driving their record drilling pace, while we here in Canada are experiencing such low activity levels. What I discovered, was that the price they need to deliver at least a 15% internal rate of return (IRR) varied from $5.55/mcf to $8.25/mcf with an average of $6.80/mcf, the "threshold" price. The same type of analysis last summer in Canada yielded prices in the $7.90-$9.20/mcf range. Since the longer term gas price in the US is forecast at the $8.50/mcf level ($1.70/mcf *higher* than the threshold price), while in Canada is forecast at the $7.50/mcf level, ($1.05/mcf *lower* than the threshold price), we have our answer on what is driving their current activity level relative to ours.

Fortunately for Peyto, our low cost structure provides us with threshold prices of around $4.50/mcf. This gives me renewed confidence that we will be well able to compete in the North American gas market.



Natural gas prices recently firmed up with summer 2008 prices being offered in the $6.75-$7.25/GJ range and winter 2009 in the $7.50-$8.00/GJ range (Figure 2). These are the second highest seasonal prices we've seen yet, further adding to our optimistic outlook.