PEYTO Energy Trust

President's Monthly Report

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

Happy Birthday Peyto!! On October 23, 2008, Peyto celebrated its tenth anniversary as an energy company; approximately 5 years as a corporation and 5 years as a trust. From its humble beginnings as Peyto Exploration and Development Corp. which started trading at $0.04/share to today, where close to 4 times that amount is distributed every month, the underlying E&P business has endured.

As I'm sure many of Peyto's founding shareholders will agree, how quickly time does fly. Also consider that it is no easy feat to stay in this business for ten solid years. Just look at the following table of names from the 1999 CIBC research coverage which shows just 20% of the combined Junior, Intermediate and Trust oil and gas firms surviving to today.

1 BAU	Beau Canada	19 AEC	Alberta Energy	37 RAX	Rio Alto
2 BNP	**Bonavista**	20 AXL	Anderson Exploration	**38 TLM**	**Talisman**
3 CLX	Calahoo	21 BKP	Berkley	39 TLR	TriLink Resources
4 CCN	Canadian Conquest	22 EEE	Canadian 88	40 ULP	Ulster
5 EDG	Edge Energy	23 HTR	Canadian Hunter	**41 AET.UN**	**ARC Energy**
6 ELK	Elk Point	**24 CNQ**	**Canadian Natural**	42 EIF.UN	EnerMark
7 ENL	Encal	25 CXY	Canadian Occidental	**43 ERF.G**	**Enerplus**
8 GEX	Genesis	26 CRS	Crestar Energy	**44 FRU.UN**	**Freehold**
9 PDQ	Pendaries	27 GOU	Gulf	45 MXT.UN	Maximum
10 PBG	**Petrobank**	28 NRK	Northrock	**46 NAE.UN**	**NAL**
11 PNT	Petromet	29 NMC	Numac	47 OET.IR	Orion
12 PEY	**Peyto**	30 PCP	PanCanadian	**48 PGF.UN**	**Pengrowth**
13 PRX	Probe	**31 PWT**	**Penn West**	49 PWI.UN	PrimeWest
14 RER	Real Resources	32 POC	Poco Petroleums	50 SHN.UN	Shinningbank
15 RTA	Renata	33 RGO	Ranger	51 STR.UN	Starcor
16 RLP	Richland	34 REL	Remington	52 VKR.UN	Viking
17 VOL	Volterra	35 RES	Renaissance	53 WCL.IR	WestCastle
18 WML	Westminister	36 RJL	Rigel Energy	54 WRE.UN	Westrock

Mergers, acquisitions, buyouts, and failures all take their toll on the many names in the sector over the years. Here's to surviving the next 10!

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

2008 Capital Summary (millions$ CND)*

	Jan	Feb	Mar	Q1	Apr	May	Jun	Q2	July	Aug	Sept	Q3
Land & Seismic	0	0	0	1	0	0	1	2	1	1	0	2
Drilling	6	5	6	17	1	1	8	10	10	11	13	35
Completions	2	3	4	9	2	0	5	7	7	6	7	20
Tie ins	1	2	3	5	1	0	2	3	2	2	2	6
Facilities	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Total	**10**	**10**	**13**	**33**	**3**	**2**	**16**	**21**	**20**	**20**	**22**	**62**

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

2008 Production ('000 boe/d)*

	Q1 08	Q2 08	Jul	Aug	Sept	Q3 08	Oct	Nov	Dec	Q4 08
Sundance	16.4	16.0	16.1	16.5	16.6	16.4	16.9			
Kakwa	2.6	2.3	2.4	2.2	2.4	2.3	2.2			
Other	1.4	1.3	1.2	1.2	1.3	1.2	1.2			
Total	**20.4**	**19.6**	**19.7**	**19.9**	**20.3**	**19.9**	**20.3**	-	-	-

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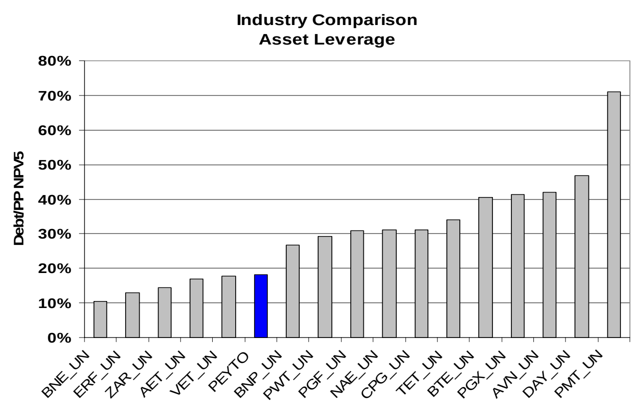
Top of the Island

Warren Buffet says *"Only when the tide goes out do you discover who's been swimming naked."* Arguably, the tide is now out, way out. And those that cannot sustain their businesses on the cash they generate will be hard pressed in this environment. Debt is currently unavailable and nobody wants to issue equity at these prices. In fact, if carrying debt wasn't quite so concerning, using it to buy back one's own stock would be very appealing. But, we need to remind ourselves that Peyto's opportunities have always resided in the ground, not the market.

Fortunately, during times like these Peyto is protected in several ways.

Firstly, we are not overly leveraged, relative to our asset base. At the start of 2008, the Proved Producing reserve assets were valued at over $2.5 billion, while our bank debt was less than $0.5 billion. The value of our reserve assets, which remains effectively unchanged despite recent gas price volatility, is five times the amount of bank debt we carry. That same comparison for the sector is shown in Figure 1.

Figure 1

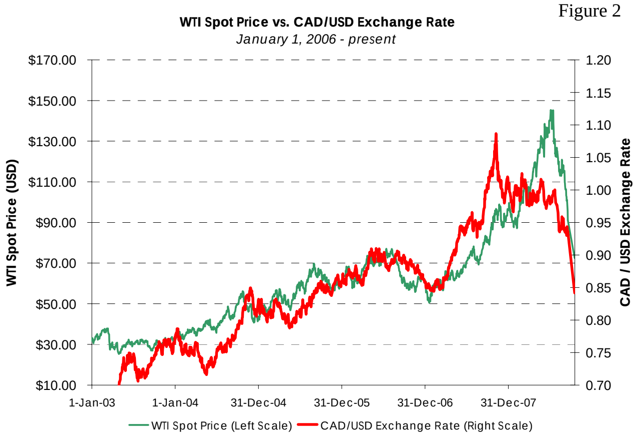


Secondly, Peyto uses a marketing strategy, to forward sell a portion of its production, which protects against sudden drops in natural gas price. As of the time of this report, approximately 60% of our net of royalty volume has been sold for this coming winter at an average price of $8.02/GJ (approx. $9.35/mcf). Meanwhile, approximately 40% of our net of royalty volume has been sold for next summer at an average price of $8.51/GJ (approx. $9.95/mcf). For 2009 then, over 40% of our gas is already sold at a price greater than $9.70/mcf which is as high as we've ever achieved on an annual basis.

The fixed price swaps, or forward sales, are done with counterparties that are also part of our banking syndicate. So generally speaking, we owe more money to them, than they owe to us. That way, if there was any risk of default on the part of the counterparty, it should conceivably offset our outstanding debt.

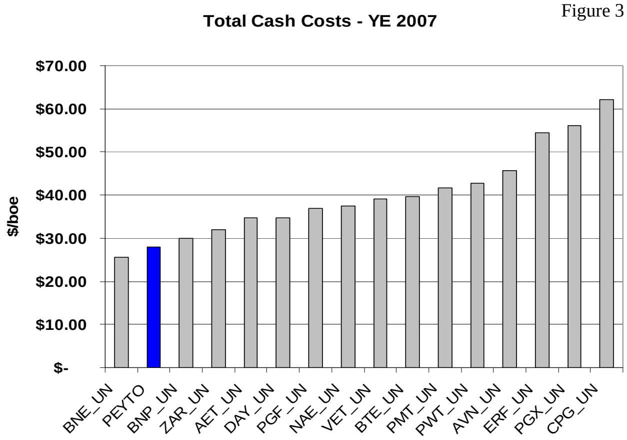
Those swaps are also done in Canadian currency. I suppose one of the fortunate things about living in a country with "Petro-Currency" is that as energy prices fall, so too does our currency, relative to our major trading partner. See Figure 2 showing the Canadian dollar's tie to WTI oil price. As all of Peyto's forward sales are done in Alberta, at Canadian prices, a falling dollar has the effect of counteracting a falling gas price.

Figure 2



Thirdly, Peyto is a low cost operator. Perhaps the lowest in the industry when looking strictly at operating costs, and arguably one of the lowest when combining all cash costs including operating costs, interest costs, G&A and F&D costs (Figure 3). When the tidal wave is approaching the island, it's good to be standing on the top of the mountain.

Figure 3



So, we will weather the storm and continue to focus on our business strategy of creating value by exploring for and developing natural gas. Since nobody has solved the energy crisis yet, I'm sure we'll come out the other side of this financial crisis wishing we had been even *greedier* when others were fearful.

Activity Levels and Commodity Prices

Drilling activity in the US has finally started to break. It was only a matter of time before their rapid pace caused costs to skyrocket beyond threshold pricing.

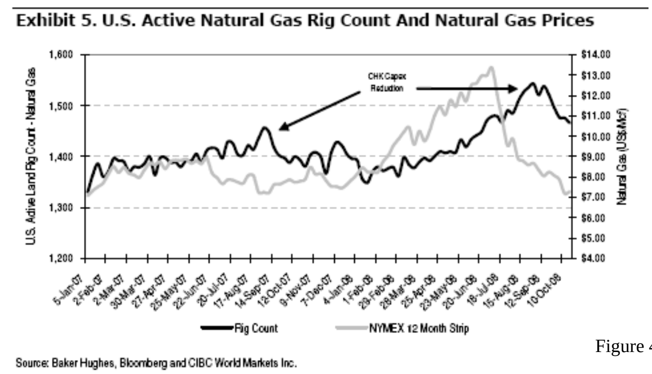


Figure 4

Now, the flush declines of the recently added shale and tight gas developments can start to appear. Supply side shortcomings should eventually overtake reduced demand expectations and that could cause natural gas prices to start rising again.

Meanwhile the falling Canadian dollar has firmed AECO (Alberta) natural gas futures prices up to above $8/GJ. Compared to historical seasonal prices, these should be sufficient to keep things moving forward, albeit at a more subdued pace.

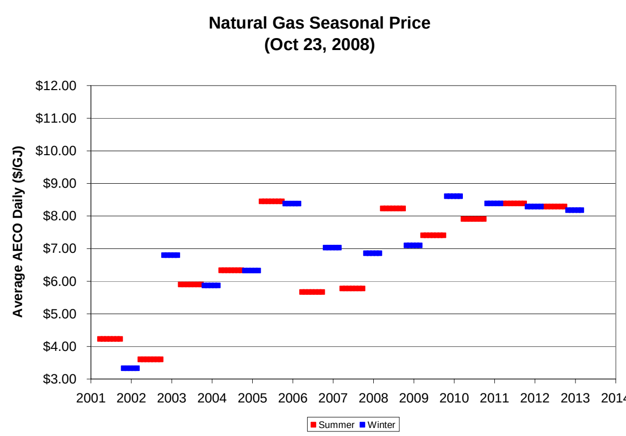


Figure 5

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