Peyto Exploration & Development Corp.
President's Monthly Report

June 2011 — From the desk of Darren Gee, President & CEO

Cool, cold, and colder is the gas price talk in North America these days. Lots of cooling demand is expected for a hot summer on the horizon. The hurricane forecasts for the Gulf of Mexico are out and another busy year is expected to disrupt production and storage efforts, meaning less will be available for a cold winter next year. As well, the approval and impact of super cooled Liquefied Natural Gas exports in both Canada and the US are all giving the natural gas markets a long awaited "thumbs up!"

Despite the positive impact higher gas prices would have on our cashflow and asset value, it would mean even closer attention would need to be paid to costs as we continue to aggressively build in this counter cycle.

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

*2010/11 Capital Summary (millions$ CND)**

	Q1 '10	Q2 '10	Q3 '10	Q4 '10	Jan	Feb	Mar	Q1 '11	Apr
Land & Seismic	0	0	5	13	-1	2	5	6	0
Drilling	31	18	34	57	15	16	20	51	13
Completions	16	10	13	26	12	11	10	33	8
Tie ins	8	4	10	9	2	2	3	7	2
Facilities	2	6	5	6	3	3	2	8	4
Drilling Credit Used	-3	-2	-4	0	0	0	0	0	-1
Sub Total	55	37	63	111	**29**	**34**	**41**	104	**26**
Rem. Drilling Credit	-5	0	2	-1	0	0	0	0	0
Total	**50**	**37**	**64**	**110**	**29**	**34**	**40**	**104**	**26**

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

*2010/11 Production ('000 boe/d)**

	Q1 10	Q2 10	Q3 10	Q4 10	Jan	Feb	Mar	Q1 11	Apr	May	June	Q2 11
Sundance	16.5	18.5	20.1	24.6	27.1	28.1	28.8	28.0	29.9	29.9		
Kakwa	2.8	2.7	2.6	2.6	2.5	2.5	2.9	2.6	3.6	3.3		
Other	1.3	1.1	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.0		
Total	**20.6**	**22.3**	**23.8**	**28.2**	**30.7**	**31.7**	**32.8**	**31.7**	**34.6**	**34.2**	**-**	

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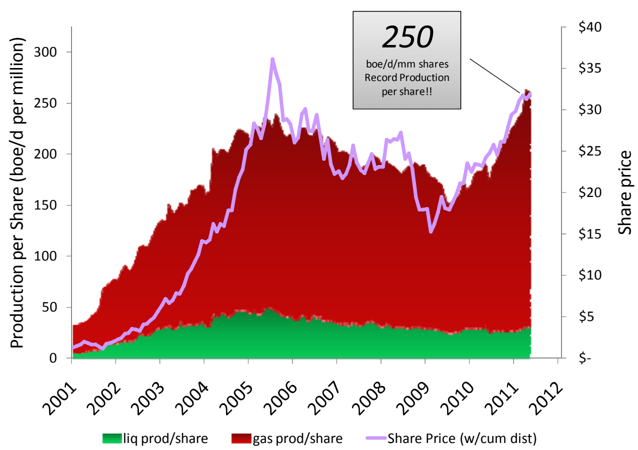
Record Production per Share

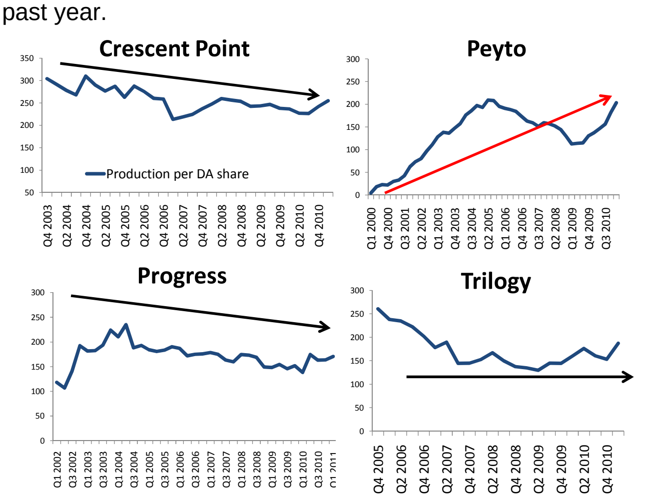
The staff of Peyto recently held a little ceremony for me, commemorating my 10th anniversary at Peyto. I'm one of 3 employees that were here way back then, including our Manager of Land and Manager of HR. These types of celebrations always cause one to reminisce about where we've come from and dream about where might be in the next 10 years.

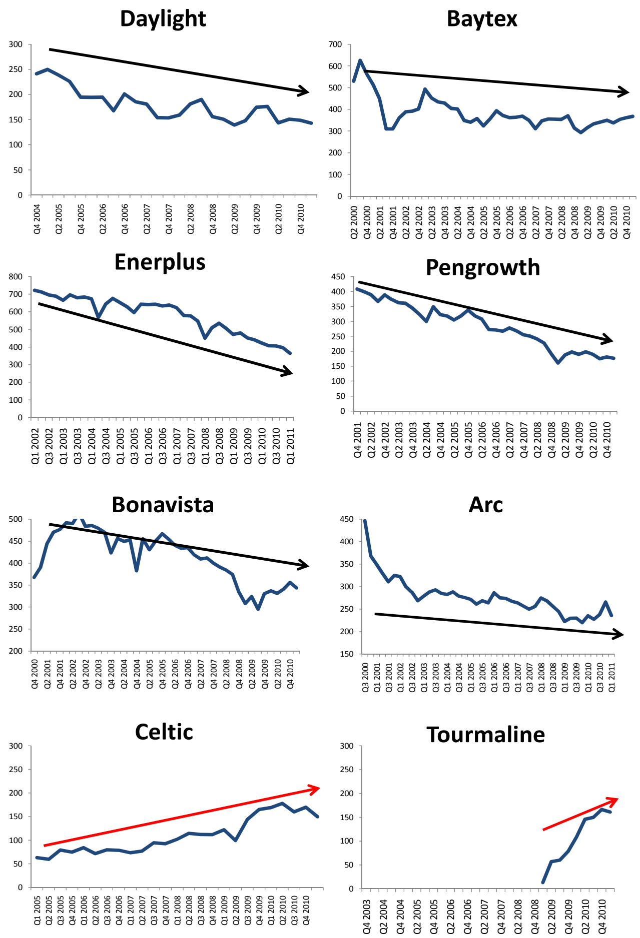
The spring of 2001 seems a long time ago and the Canadian oil patch sure was different back then. For one thing commodity prices were a lot different with oil fetching $40/bbl and natural gas $7.50/GJ. That's a ratio of less than 6 to 1, oil to gas, versus the 30 to 1 we have today. We were also producing a lot less back then. Daily production was under 3,000 boe/d versus the 35,000 boe/d today and we've since produced over a third of a Trillion Cubic Feet (equivalent) of natural gas from reservoirs we've found and developed along the way.

On a per share basis the production growth has been just as impressive from 35 boe/d per million shares back then to over 260 boe/d/mm shares today (over 20% compounded annually). We recently entered record territory with production per share breaking through the 250 mark!



Relative to the rest of the industry, production per share growth (when debt adjusted) of this sort is not commonplace. In fact, when you look across our dividend paying peers it is anomalous, especially the kind we've experienced over this past year.

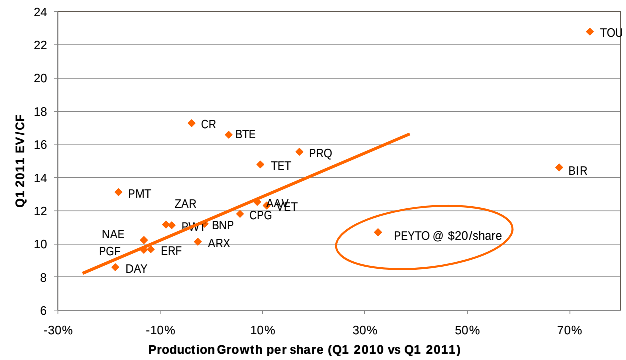




Production per share is just one of a few indicators of real growth. Cashflow/share and reserves/ share would round out a more complete analysis (assuming we debt adjust the shares, as the above does).

To be fair, we, as well as many of our peer group, have only recently converted back to growth corporations with more of a growth strategy than a payout strategy. Both 2010 and 2011's production per share performance will be telling indicators of the success of those conversion strategies.

It is interesting to note the market's response to these same conversion strategies, with most companies experiencing a lift in the market relative to their cashflows. Enterprise values (market capitalization plus net debt) divided by the annualized cashflow, more commonly refered to as Market Multiple or Debt Adjusted Cashflow Multiple, have expanded for many. This multiple expansion is usually reserved for per share growth, as indicated in the following graph.



In Peyto's case, we appear to have been missed or at least are not adhering to this traditional correlation. Perhaps, there is scepticism that, because we are a gas producer, our growth is not profitable? This is obviously not the case, which we have clearly demonstrated with our return analysis of last year. Or perhaps the ability to continue such growth is questioned? As I indicated last month, with ever decreasing corporate declines, it only gets easier. Or perhaps as one analyst put it "it is because Peyto instead demonstrates an ability to create value for investors through superior economics and tactical thinking, rather than hyping unproven, undeveloped acreage in the next big play." If so, then it is more important than ever to educate our investors on the *real* growth we can deliver and the profits we can generate while doing so.

Activity Levels and Commodity Prices

Long term natural gas prices have started to drift upwards over the last couple of months, perhaps a sign that the tide is finally turning. Long term price (5 yr out swaps) appear to be on a 3 yr cycle if past history is to be believed, which fits this recent reversal.