Peyto Exploration & Development Corp.
President's Monthly Report

April 2013 — From the desk of Darren Gee, President & CEO

Spring has officially sprung with April showers dowsing any fantasies we might have had of drilling very far into the second quarter. As usual, the frost has begun to emerge from the ground prompting bans on northern Alberta rural roadways and preventing us from moving any drilling or completion equipment around for the next 6-8 weeks. Considering the warning signs of flooding that are rumbling from further out in the prairies, our operations closer to the Rockies should instead experience a relatively normal and uneventful breakup.

We are still planning on shutting down our drilling operations when this next group of 9 wells finishes drilling even though pad drilling could enable us to continue on. It has been a very busy pace for the last 10 months and prudence suggests we regroup the troops for safety meetings and procedure reviews before we get set for another busy summer.

We also have several new facilities on order that don't arrive until summer so there is no point spending extra dollars on winter/spring operations if we have nowhere to process the production. We have, however, been preparing for those facilities, with sales line maintenance, meter station upgrades and power generation installations. Those have caused some downtime on existing facilities this last month which affected production, but they are a requirement for continued growth.

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*

*2012/13 Capital Summary (millions$ CND)**

	2011	Q1	Q2	Q3	Oct	Nov	Dec	Q4	2012	Jan	Feb	Mar	Q1
ONR Acq./other acq.				205			-21	-21	184				
Land & Seismic	28	3	1	2	4	0	2	6	12	0	1		
Drilling	178	52	23	59	26	30	23	78	211	24	23		
Completions	104	31	14	35	11	15	21	47	127	9	16		
Tie ins	32	8	5	11	8	5	9	22	46	6	11		
Facilities	40	4	3	6	2	3	20	25	37	9	5		
Total	**379**	**99**	**46**	**317**	**50**	**53**	**54**	**157**	**618**	**49**	**56**		

***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*

*2012/13 Production ('000 boe/d)**

	Q1 12	Q2 12	Q3 12	Q4 12	2012	Jan	Feb	Mar	Q1 13
Sundance	35.4	34.3	35.7	36.0	**35.4**	36.4	40.7	42.1	39.7
Kakwa	3.8	4.2	3.6	3.1	**3.7**	3.2	3.1	3.6	3.3
Ansell	-	-	2.9	6.8	**2.4**	9.2	9.0	8.3	8.8
Other	2.0	2.8	3.6	3.6	**3.0**	3.2	3.2	3.6	3.3
Total	**41.2**	**41.3**	**45.9**	**49.5**	**44.5**	**52.0**	**56.0**	**57.6**	**55.2**

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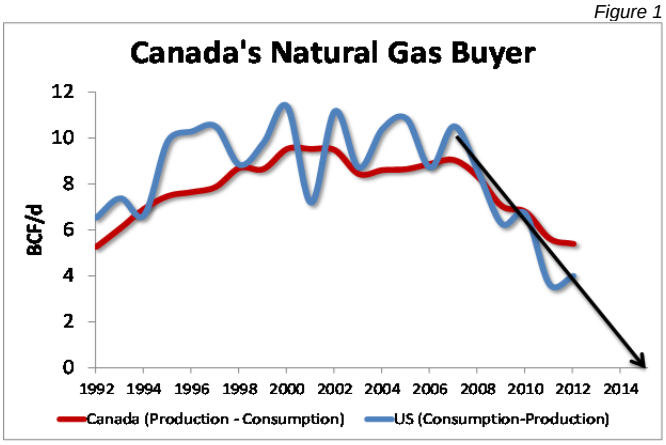
Canada's Natural Gas Buyer

Western Canada has long enjoyed an abundance of hydrocarbon energy. Looking specifically at natural gas, Canadians have always had more than we need, and the US never seemed to have enough, so our trade relationship was a natural fit. Lately this is changing. A quick trip to the EIA's website shows why. If we compare US consumption to US production and compare the same data for Canada, we see that excess Canadian natural gas basically covered the US shortfall (Figure 1). Lately however, the US shortfall is shrinking, as more productive capability from US shale gas is developed.

In 2008, the US was short 10 BCF/d when trying to produce enough for their domestic consumption. Today they're short only 4 BCF/d. As a result, their demand for Canadian gas has dimished. This in turn lowers our price, which results in less drilling by Canadian E&Ps and ultimately, our Canadian production declines.

The pace of the trend, however, is rather alarming. Which leads us to why the Canadian natural gas industry is rapidly trying to find a new trade relationship, ie. LNG exports to Asia.

Figure 1



The US is also now looking at exports. Either to export their own excess, if it ever gets to that point, or perhaps ours, since the entire system is interconnected and they can access our low priced supply.

As an aside, this isn't necessarily a natural gas phenomenon either. If the horizonal technology can do this with shale gas, many feel it can happen with shale oil as well, although we're far from there yet.

But is it really just more supply that is driving the trend to natural gas sustainability in the US? Or is consumption shrinking? Or is it a combination of both? Looking at the

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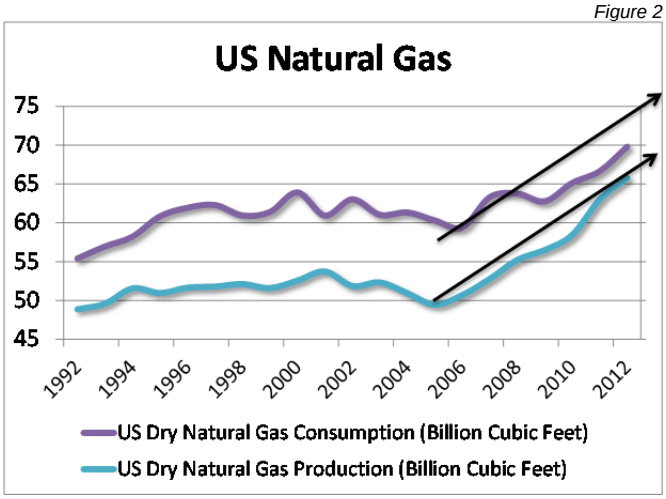
individual pieces that combine to create the blue line in Figure 1 above, we see that both US supply *and* consumption have been growing (see Figure 2). It's just that supply has been growing at a faster rate over the last few years.

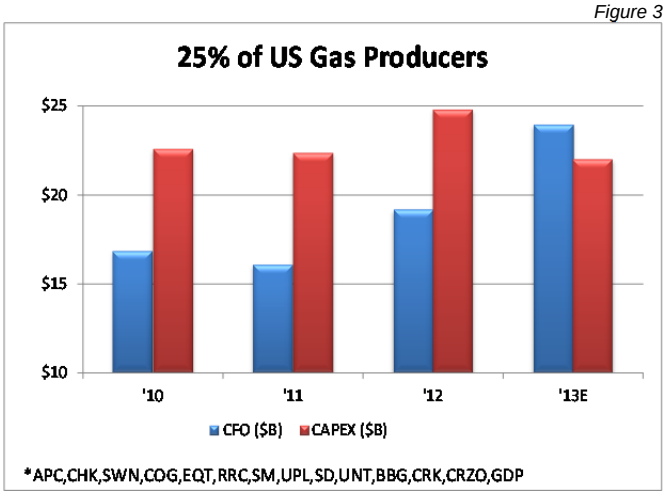
Figure 2



You could argue that if supply growth had matched demand growth, the market for 8-10 BCF/d of Canadian excess would still exist today.

There are some pundits of the US shale gas revolution that suggest this supply growth is not sustainable. When you look at what the US natural gas industry is spending to drive this growth, you can see why six years later they are still arguing their case. Looking at some data collected by Canaccord for a group of gassy producers in the US that represent approximatley 25% of the 65 BCF/d of total US production, it shows that they have been outspending their cashflows for several years by, on average, 135% (Figure 3).

Figure 3



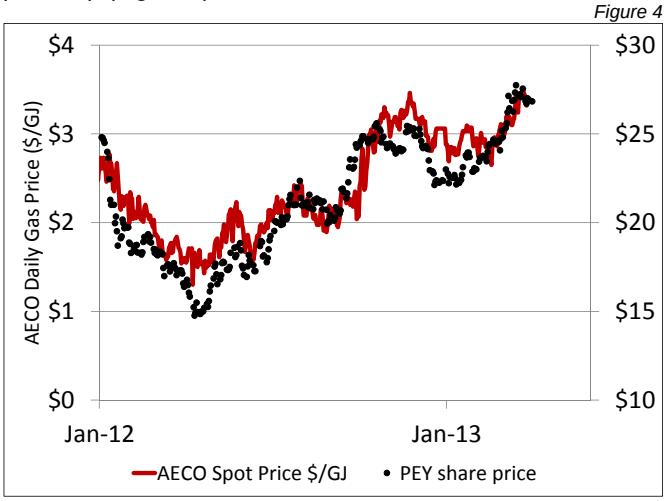
The forecasts for 2013, however, suggest they will spend less than cashflow despite the fact that cashflows look to be bolstered with higher gas prices. Either this is because they can no longer access the extra capital (debt, equity or JV markets are exhausted) or they have finally concluded the profitability of that extra spending just isn't there. I suspect it is the latter since there is always money for good full-cycle return projects.

So perhaps the US market for Canadian gas isn't shrinking as fast as we fear. If greater financial discipline is to be deployed by the US industry, perhaps supply growth will match growing consumption and that will leave some room for us to make up the shortfall. That's good news because I suspect it will take longer than we think to open up a new trade relationship, install the necessary infrastructure and secure a new buyer for our abundant Canadian natural gas resources.

Activity Update and Commodity Prices

Natural gas prices in Alberta have continued to strengthen as prolonged cold winter weather has drawn down North American storage levels to below expectation. Not surprisingly, Peyto's share price has followed natural gas prices up (Figure 4).

Figure 4



What is surprising, however, is the fact that Peyto's growth in production per share has not caused a divergence of the above correlation. Over that same period Peyto's production per share has grown some 33% from 290 boe/d per million shares in January 2012 to 386 boe/d per million shares in March 2013. Looking at the above graph one would think we have been standing still, when in fact it's the exact opposite. We've been aggressively and profitably growing.