

# PEYTO ENERGY TRUST

*TSX: PEY.UN*  
*120,982,602 units outstanding*

*AGM*  
*May 19, 2010*  
*[www.Peyto.com](http://www.Peyto.com)*

*Current Distribution: \$0.12/month*  
*10.5% yield on May 17/10 closing*

# Corporate Governance

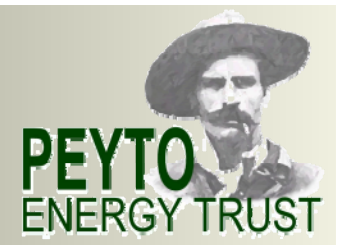


- “We will be candid in our reporting, emphasizing the pluses and minuses important in appraising business value. **Our guideline is to tell you the business facts that we would want to know if our positions were reversed.**”
- “Our policies and communications will be designed to encourage informed, rational behavior by shareholders, that in turn, will tend to produce a stock price that is also rational.”
- “Our requisites for board membership will be business savvy, interest in the job, integrity, and owner-orientation.”
- “We will issue common stock only when we receive as much in business value as we give. We will not issue common stock on a basis inconsistent with the value of the entire enterprise.”
- “In line with owner-orientation, our directors have a major portion of their net worth invested in the company. We eat our own cooking.”

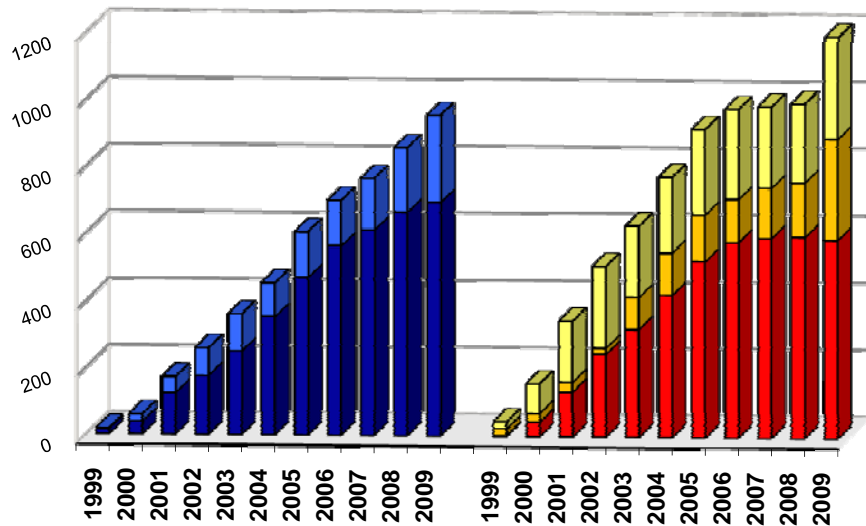
# The Peyto Strategy

## 11 Year Track Record

"Peyto has a proven track record of generating new drilling ideas, that lead to additional reserves and net asset value, which ultimately deliver earnings and distributions for unitholders."

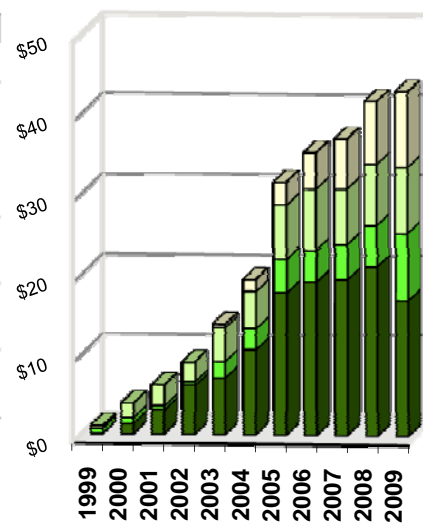


### Prospect Generation

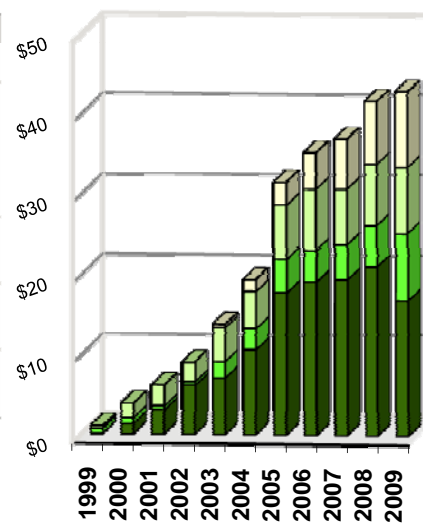


■ Gross Drilled Wells ■ Booked Future Locations ■ PDP ■ TP ■ P+P

### Reserves Growth (BCFe)

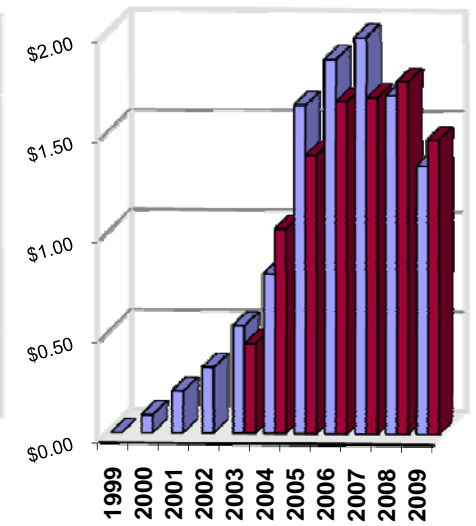


### NAV Growth (NPV<sub>5</sub> Debt Adj/Unit)



■ PDP ■ TP ■ P+P ■ P+P w/ cum. distribution

### Profit Sharing



■ Earnings/Unit or Share ■ Distributions/Unit or Share

BCFe factor : 6 thousand cubic feet equivalent of gas = 1 bbl of oil equivalent

Historical Per Unit and Units Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split

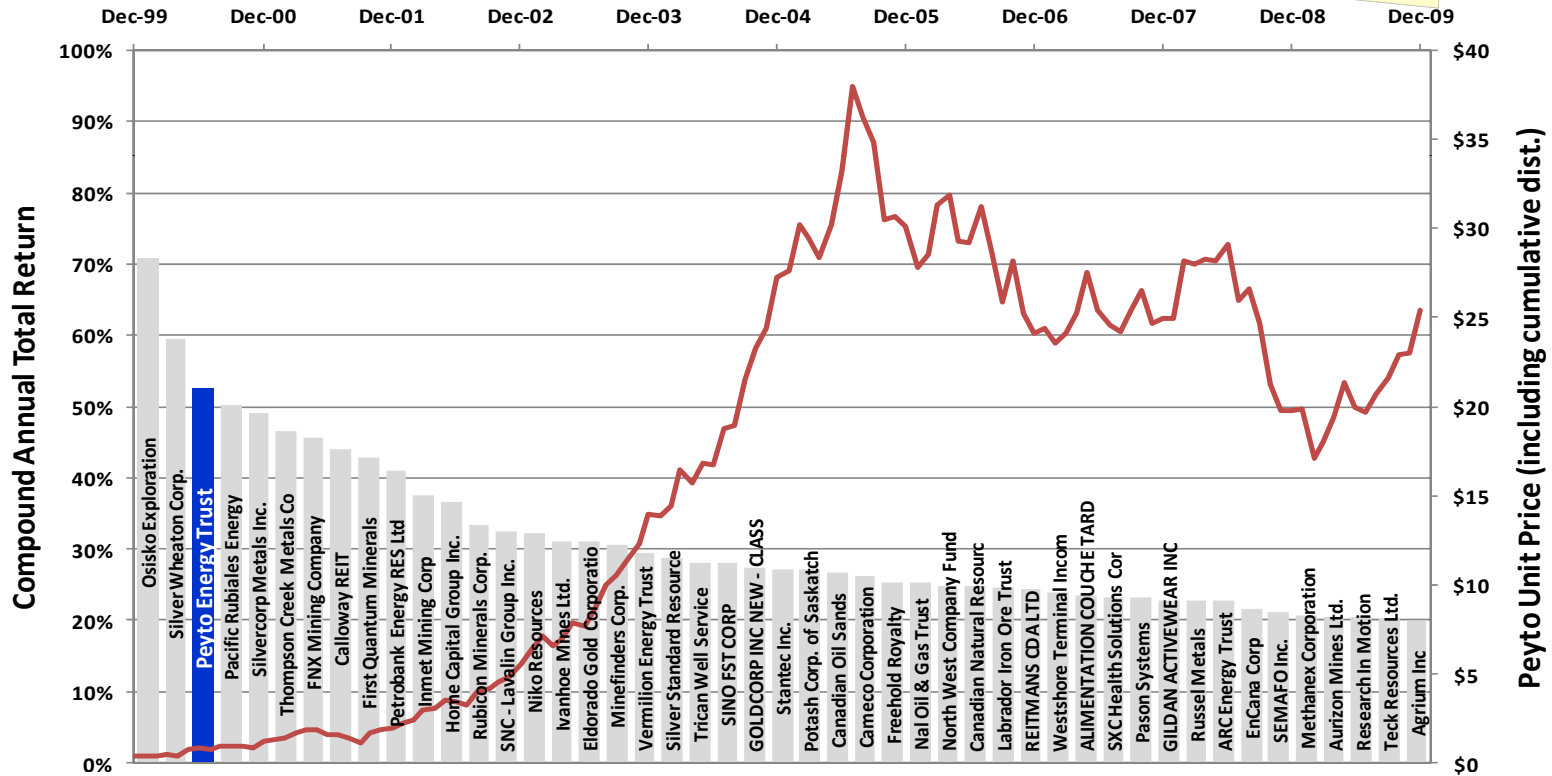
# The Peyto Strategy

Largest 10 year return of any E&P on TSX



"Including distributions, Unit/shareholders have enjoyed greater than 50% compound annual return over the last ten years."

TSX Largest Total Return  
10 yrs (Dec 1999-Dec 2009)



Source: BMO Capital Markets

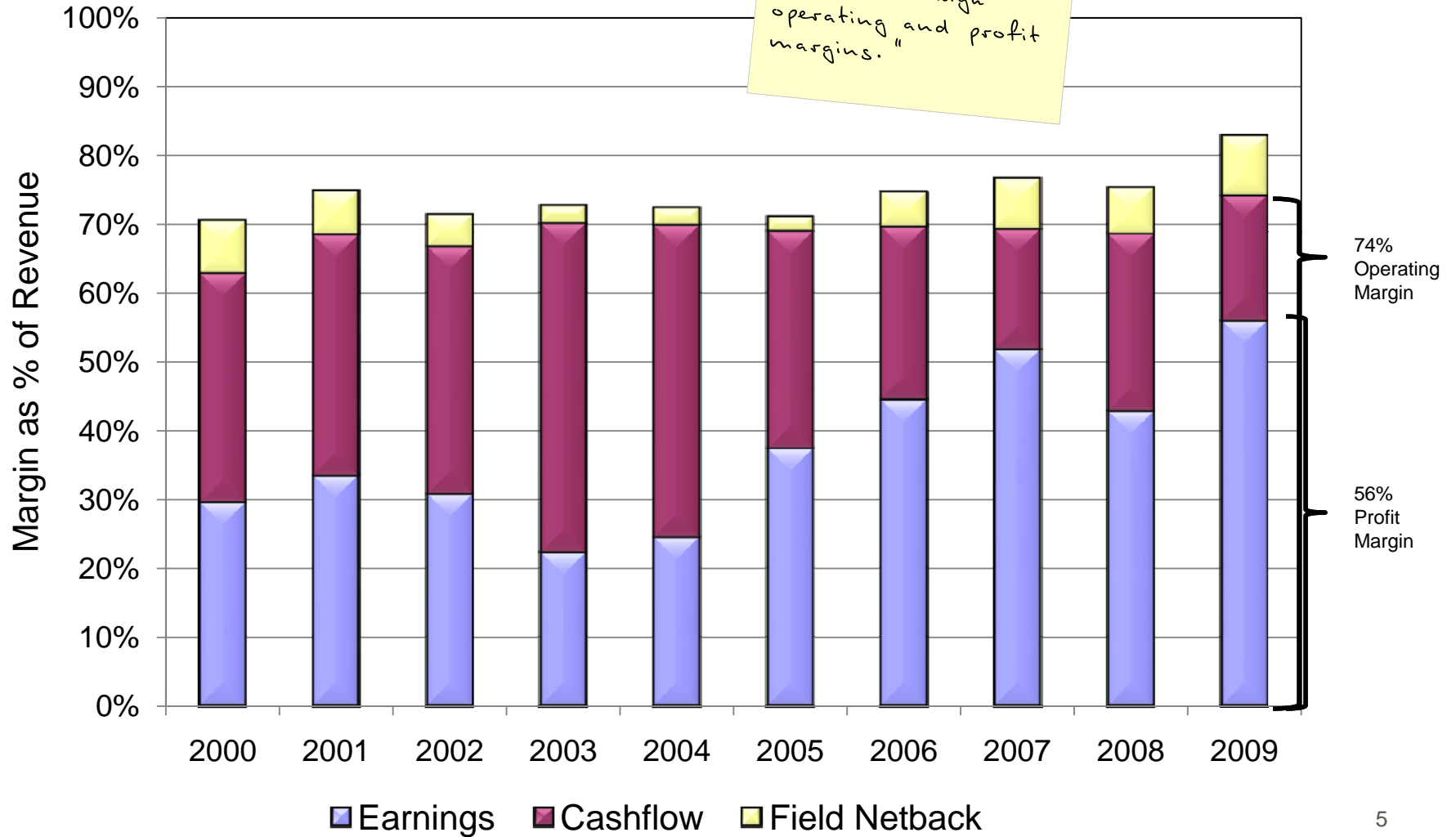


# The Peyto Strategy

*Margins Matter*



"It is Peyto's efficiency and focus on profitability that drives such high operating and profit margins."



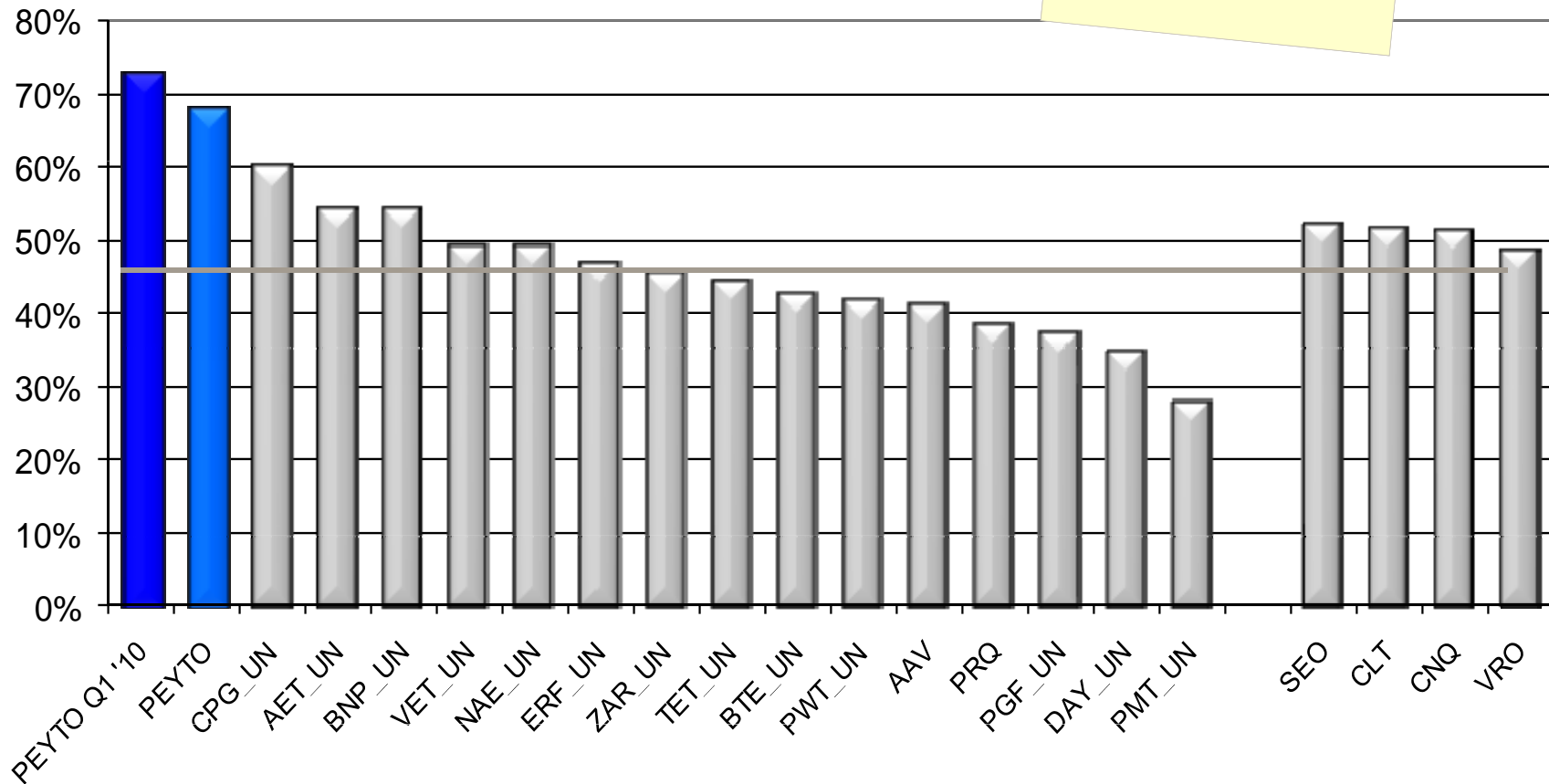
# The Peyto Strategy

## Margins - Industry Comparison



"Peyto's margins are head and shoulders above the competition."

Q4 2009 Operating Margin



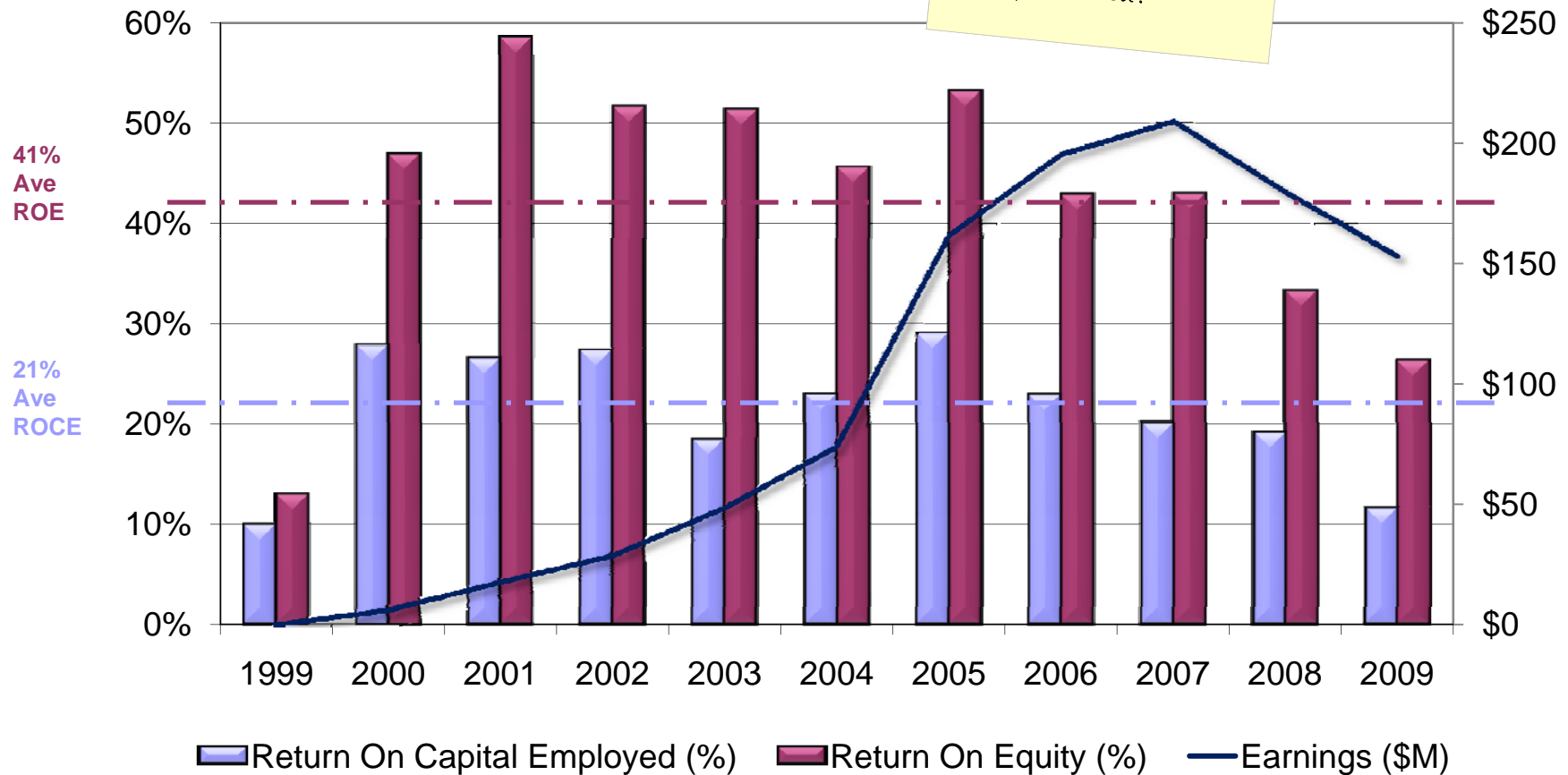
Operating Margin – Cashflow divided by revenue (both before hedging effects).

# The Peyto Strategy

## High Returns on Capital and Equity



"High margins translate into high returns for unitholders. But returns have been slipping. Earnings are down, driven by price and production."



Return on Equity (ROE) is earnings for the period divided by average unitholders equity – reveals how much profit a company generates with the money shareholders have invested

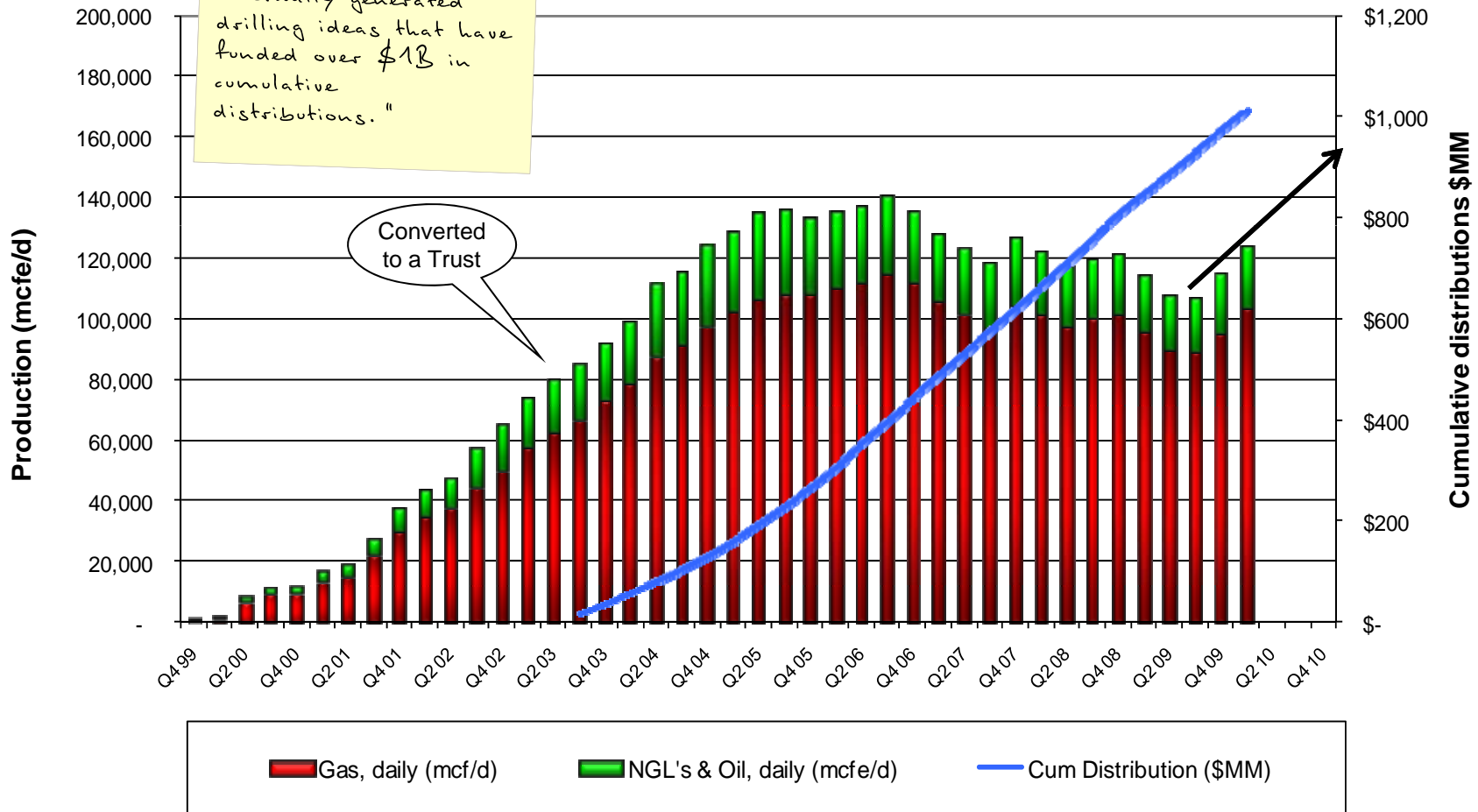
Return on Capital Employed (ROCE) is earnings before interest and tax for the period divided by total assets less current liabilities - indicates the efficiency and profitability of a company's capital investments

# Peyto's Production

## Organic Production Growth



"All of our production growth comes from internally generated drilling ideas that have funded over \$1B in cumulative distributions."

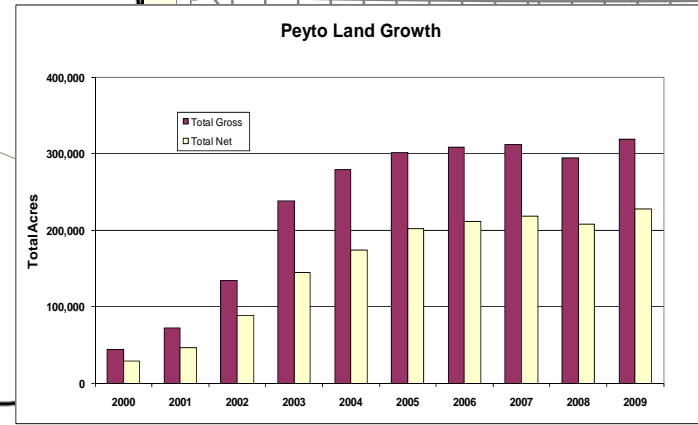
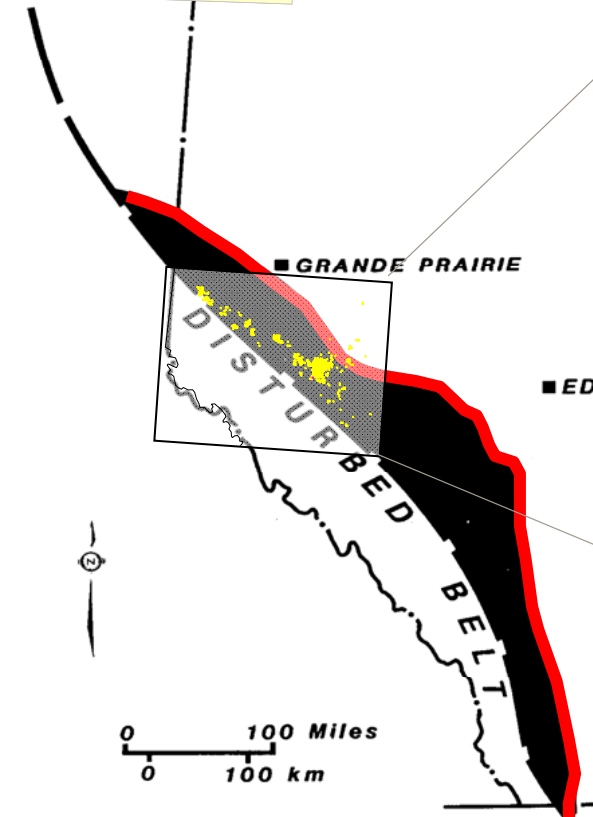
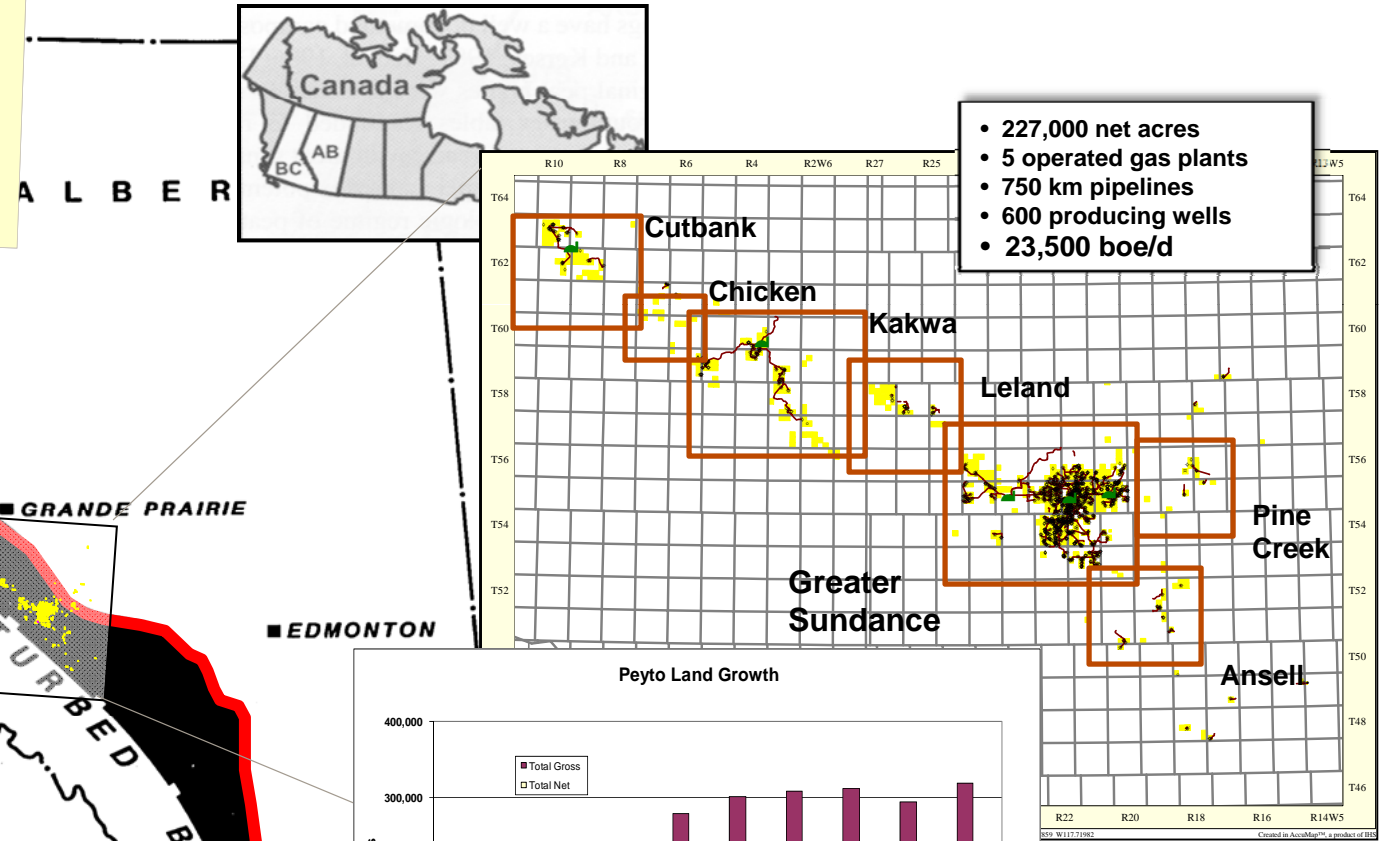


# Peyto's Deep Basin Focus

## General Area of Operations Map



"The Alberta Deep Basin is considered one of the premier exploration areas where very high returns can be generated. Especially with a design, drill and build strategy like Peyto's."



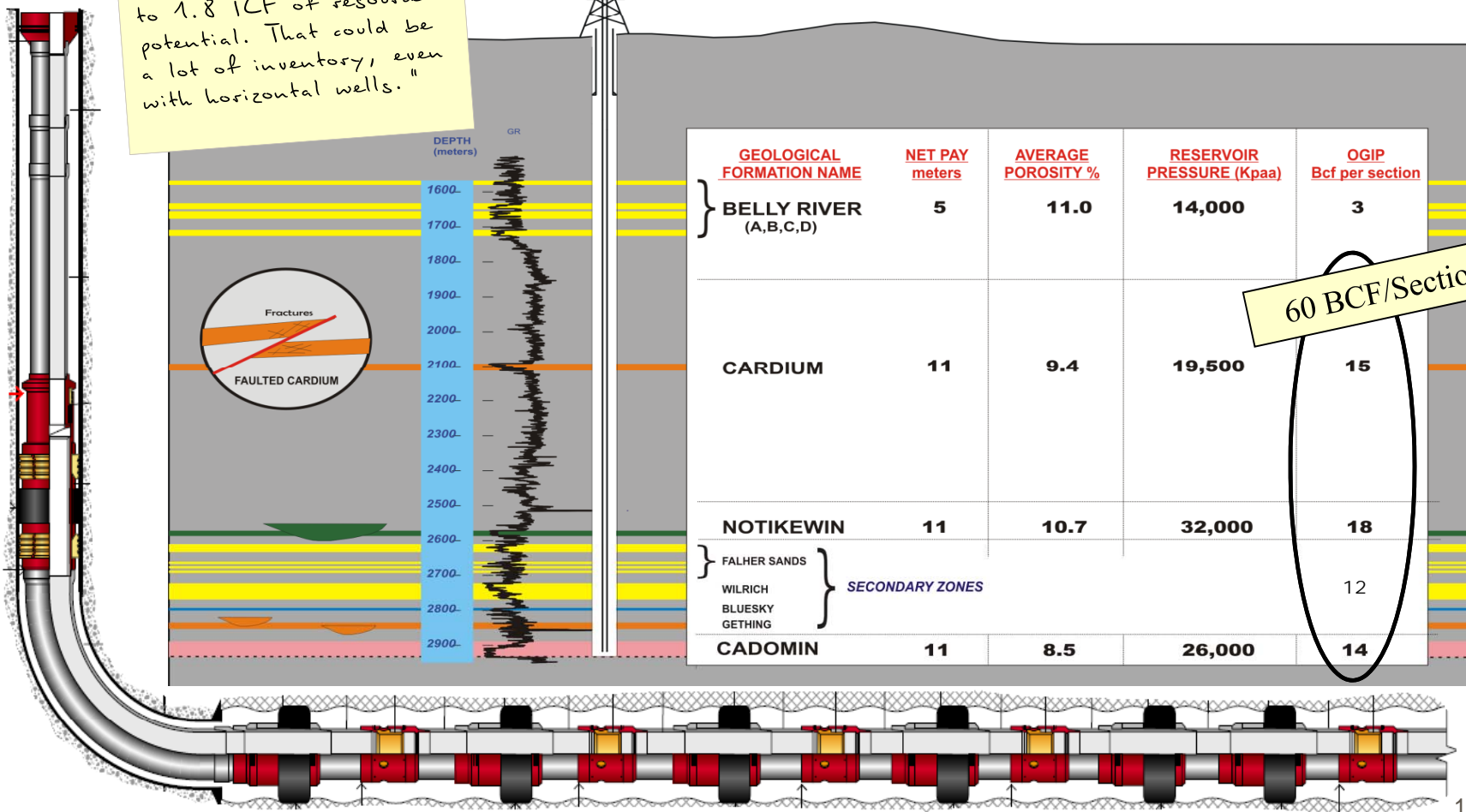
# Peyto's Deep Basin Focus

*Multiple Vertical /Horizontal Targets*



"At 60 bcf per section, the 31 new sections bought in 2009 have up to 1.8 TCF of resource potential. That could be a lot of inventory, even with horizontal wells."

## Sundance Area Reservoirs

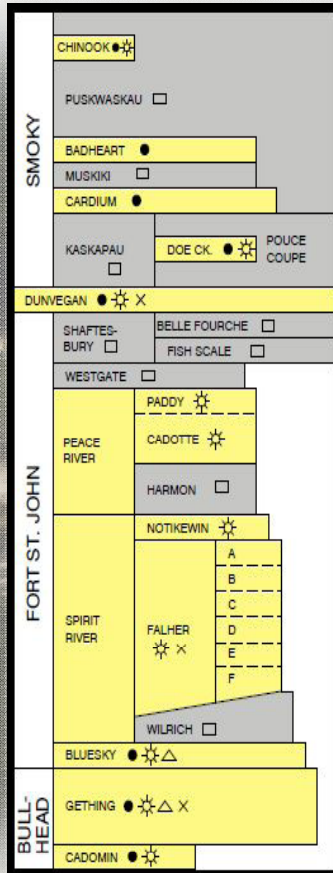


60 BCF/Section!



# Tight Gas Resource Plays

Horizontal MSF Pilot Projects



✱ Cardium

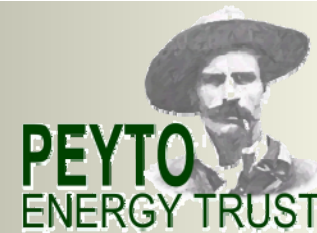
✱ Notikewin

✱ Wilrich



# Cardium Resource Play

Horizontal MSF Pilot #1



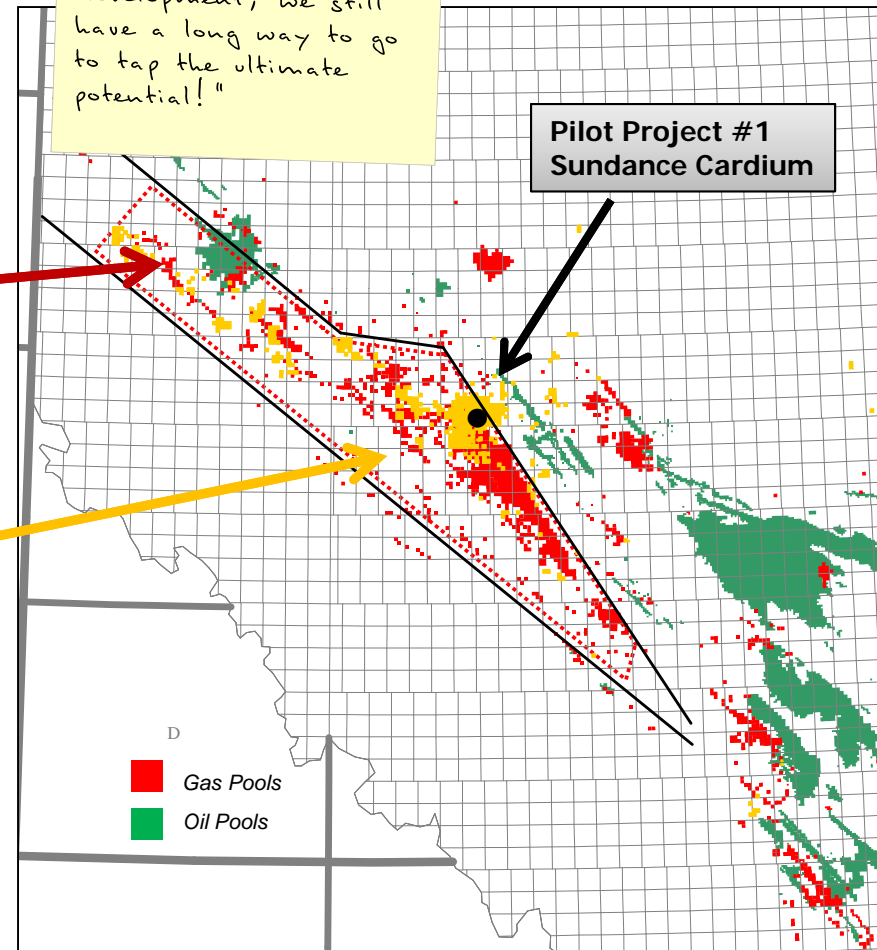
"Although Peyto has been a leader in the Cardium gas development, we still have a long way to go to tap the ultimate potential!"

## Cardium Gas Fairway

- >4,000 sq miles
- up to 65 TCF Gas in Place<sup>1</sup>
- ~ 2-3 TCF developed to date

## Peyto Cardium Rights

- >400 sq miles (gross)
- 1.0 TCF developed to date (vertical wells only)<sup>2</sup>
- ~ 72% Working Interest



<sup>1</sup>Original Gas in place are internal Peyto estimates

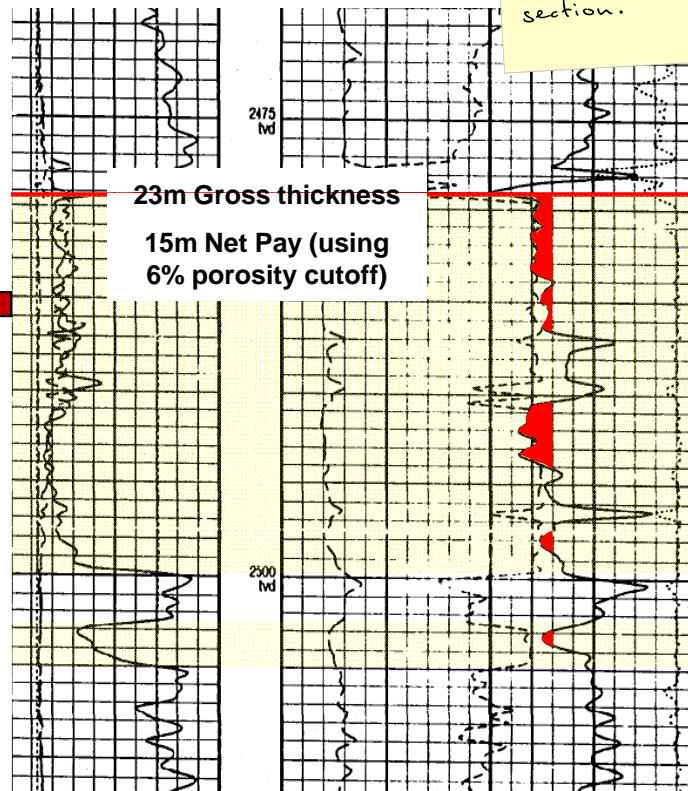
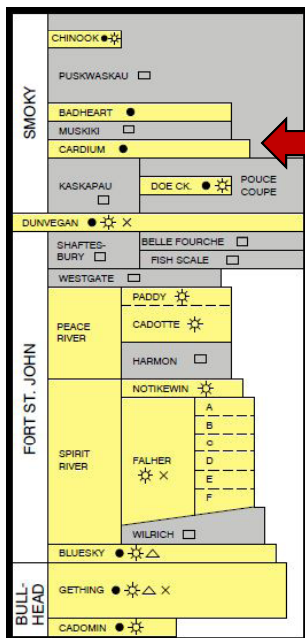
<sup>2</sup>EUR of Peyto gross developed 2P Cardium reserves as independently evaluated by Paddock Lindstrom & Associates February 2010 reserve report (effective date Dec. 31, 2009)

# Cardium Resource Play

## Cardium Type Log and Reserves



"The thick, uniform sandstone formation makes it easier to drill horizontally and contains a large amount of gas in every section."



### Volumetric Reserves

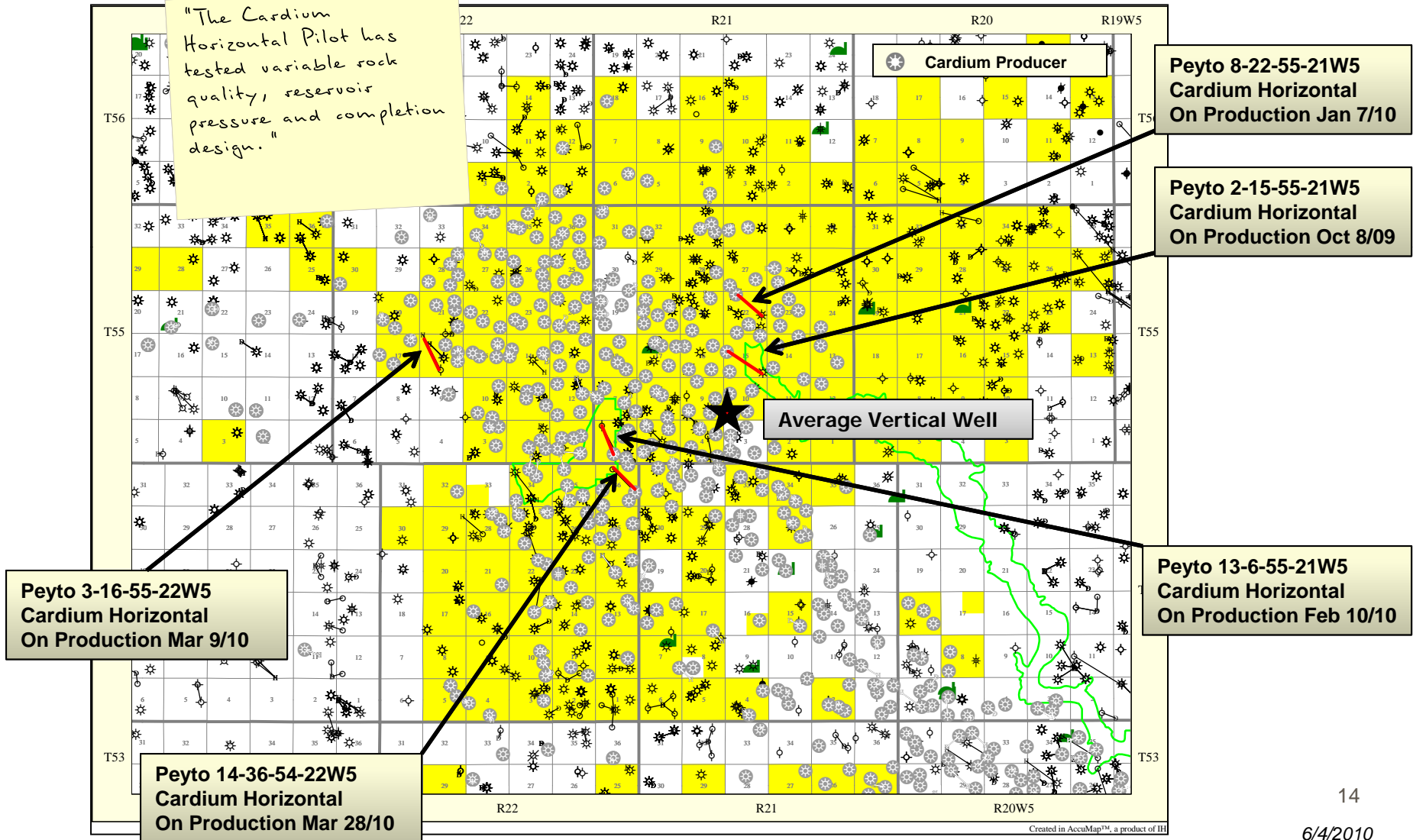
AREA(Ha)=	256 (1 section)
H(m)=	15
POROSITY(%)=	9
SW(%)=	18
TEMP.(Deg.C)=	80
PRES.(kPa)=	19000
Z=	0.8
Recovery Factor(%)=	85
Surface Loss(%)=	7
<hr/>	
OGIP(BCF)=	19.2
RGIP RAW(BCF)=	16.4
SALES GAS(BCF)=	15.2

# Cardium Resource Play

## Pilot Project #1 – Sundance Cardium



"The Cardium Horizontal Pilot has tested variable rock quality, reservoir pressure and completion design."

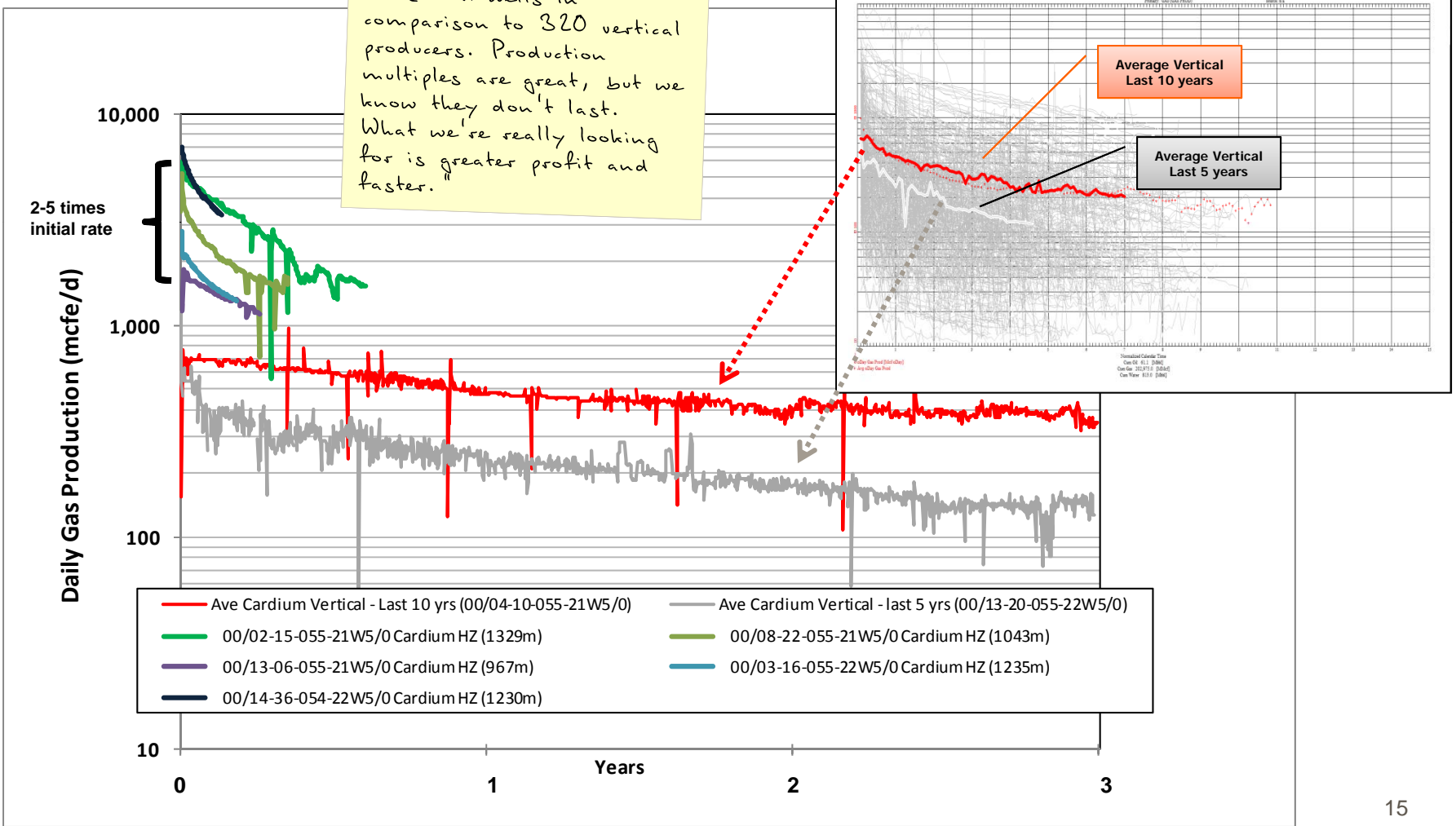


# Cardium Resource Play

## Normalized Cardium Production – Vertical vs. Horizontal

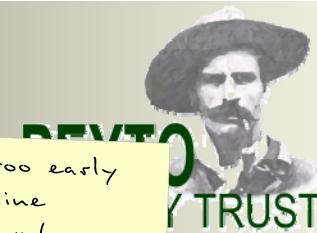


"Here are the first five horizontal wells in comparison to 320 vertical producers. Production multiples are great, but we know they don't last. What we're really looking for is greater profit and faster."

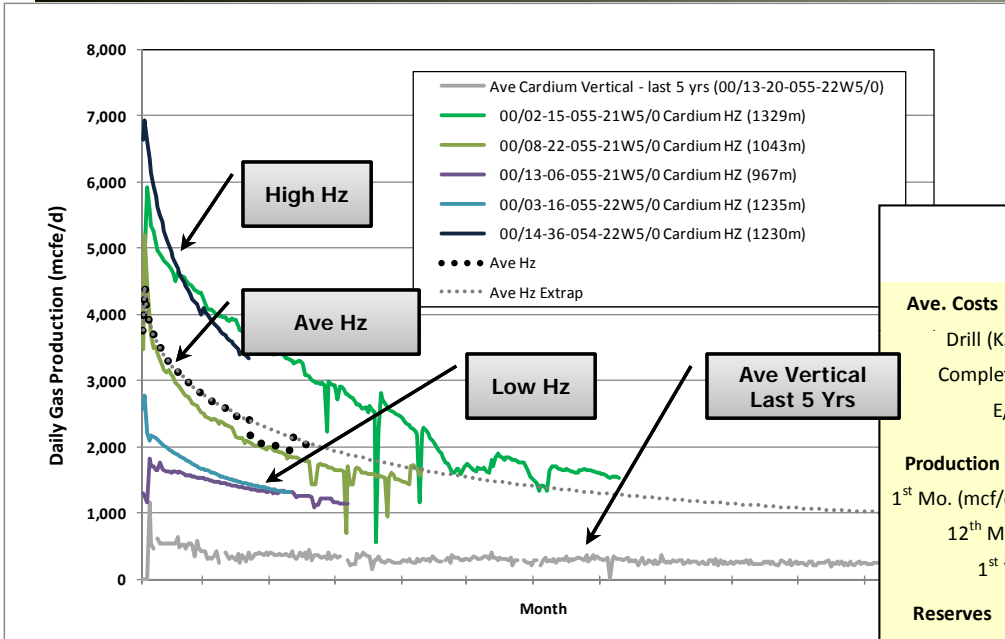


# Cardium Resource Play

## Economic Comparison – Vertical vs. Horizontal



"It may be too early yet to determine exactly how much more profitable horizontal wells will be than the vertical equivalent, except that it will likely be more."



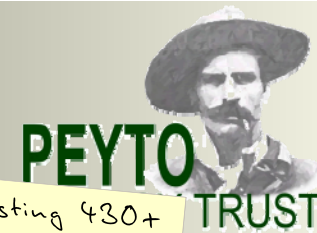
	Ave Vertical (last 10 yrs)	Ave Vertical (last 5 yrs)			High Hz	Ave Horizontal			Low Hz
<b>Ave. Costs</b>	<b>\$1,700</b>	<b>\$1,700</b>			<b>\$5,050</b>	<b>\$5,050</b>			<b>\$5,050</b>
Drill (K\$)	\$1,000	\$1,000			\$2,500	\$2,500			\$2,500
Complete	\$500	\$500			\$2,300	\$2,300			\$2,300
E/T	\$200	\$200			\$250	\$250			\$250
		<small>*Average vertical costs for 10 wells drilled in 2009</small>			<small>*Average horizontal costs for 5 wells drilled in 2009/2010</small>				
<b>Production</b>									
1 <sup>st</sup> Mo. (mcf/d)	650	410			4,600	3,200			1,350
12 <sup>th</sup> Mo.	450	260			1,000	1,000			650
1 <sup>st</sup> Yr	540	325			2,100	1,700			900
<b>Reserves</b>									
Gas Raw (bcf)	2.2	1.1			3.6	2.8			1.9
Gas Sales (bcf)	2.0	1.0			3.3	2.6			2.1
Total mboes	423	216			679	537			393
<b>Economics</b>									
Gas Price (\$/GJ)	\$5	\$4	\$5	\$6	\$5	\$4	\$5	\$6	\$5
Oil Price (\$/bbl)	\$85	\$85			\$85	\$85			\$85
IRR	84%	23%	32%	41%	92%	46%	63%	83%	21%
PIR <sub>10</sub>	2.4	0.5	0.8	1.1	1.4	0.8	1.1	1.4	0.4
Payout (yrs)	1.3	3.6	2.7	2.2	0.9	1.8	1.4	1	3.7
NPV <sub>5</sub> (\$M)	\$ 6.8	\$ 1.7	\$ 2.4	\$ 3.2	\$ 11.2	\$ 6.3	\$ 8.3	\$ 10.2	\$ 4.1
NPV <sub>10</sub> (\$M)	\$ 4.1	\$ 0.8	\$ 1.3	\$ 1.8	\$ 7.3	\$ 4.1	\$ 5.6	\$ 7.0	\$ 1.9
F&D (\$/mcf)	\$ 0.67	\$ 1.31			\$ 1.24	\$ 1.57			\$ 2.14

BOE factor - 6 mcf = 1 bbl of oil equivalent  
 Peyto internal reserve estimates and economic evaluation  
 Economics do not include \$200/m DRC but do include 5% max



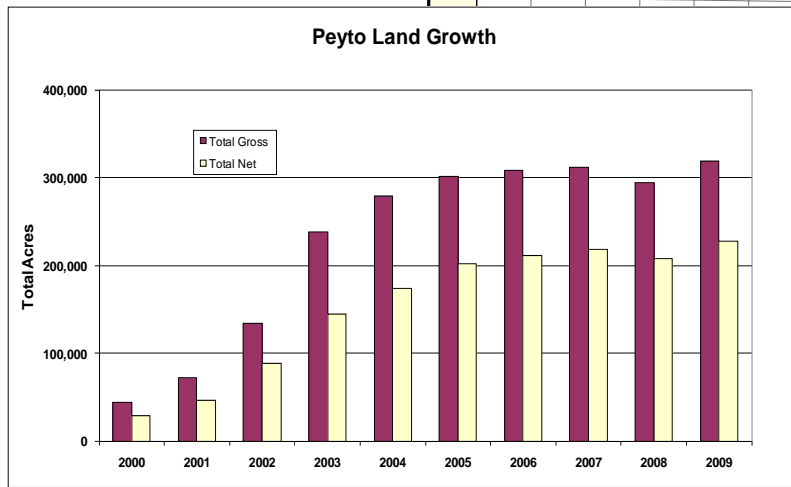
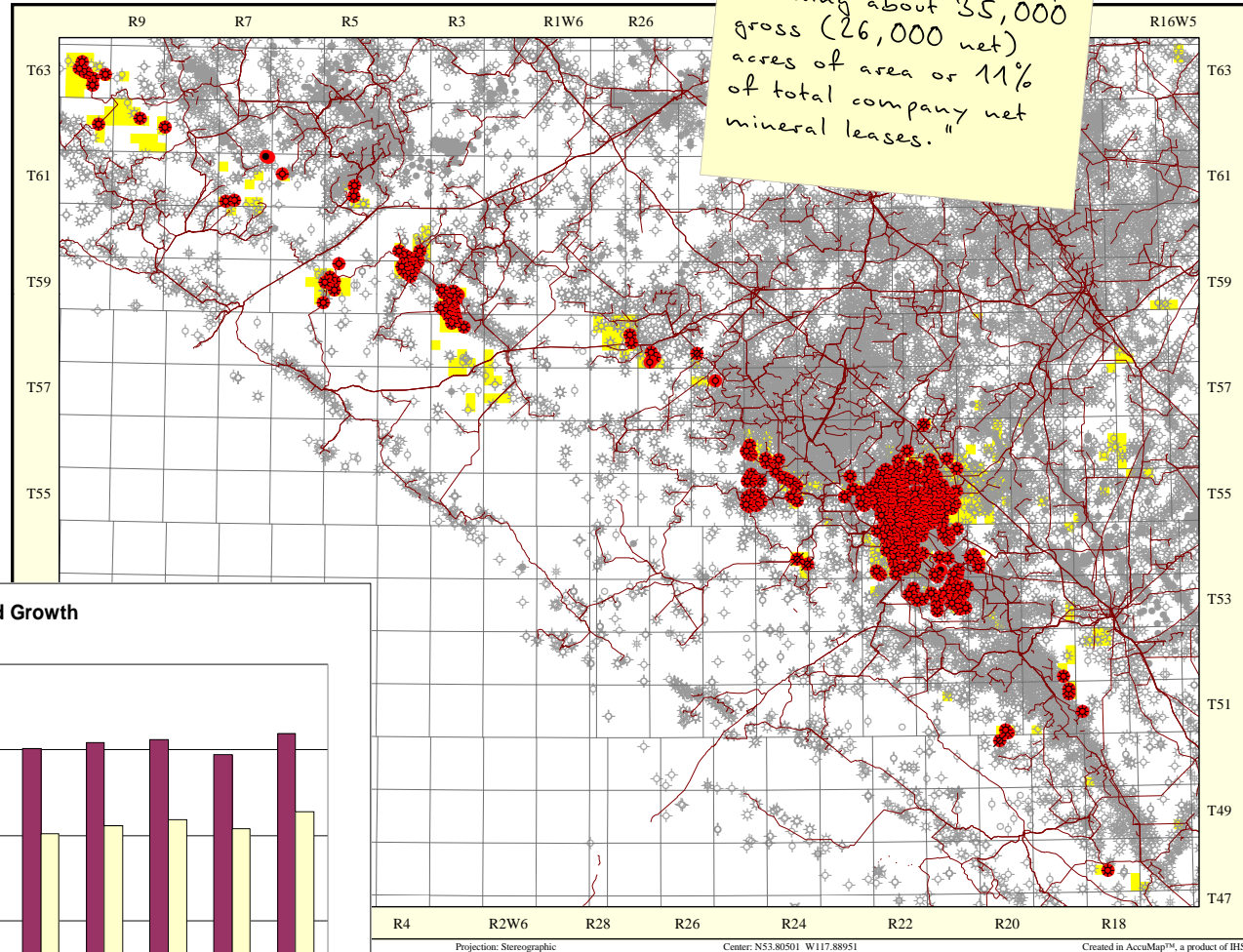
# Cardium Horizontal Development

## Potential Locations



"Peyto's existing 430+ Cardium wells are only draining about 35,000 gross (26,000 net) acres of area or 11% of total company net mineral leases."

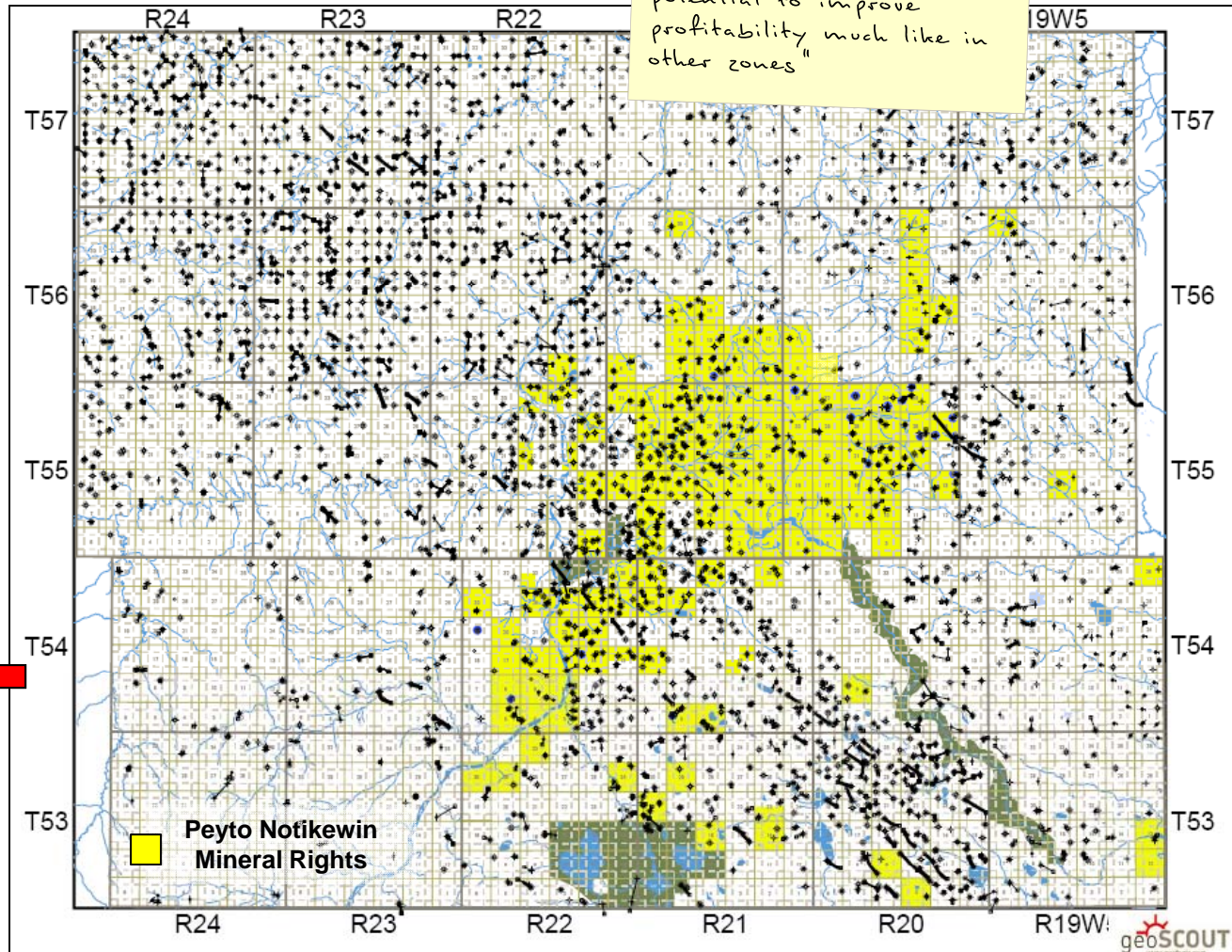
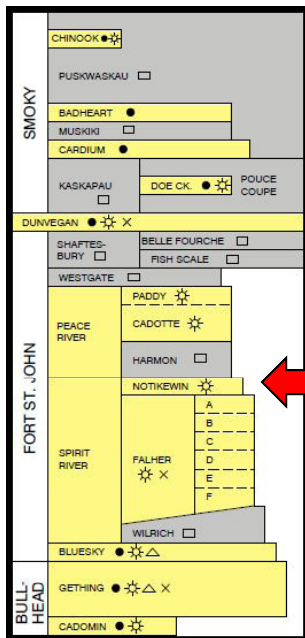
- Remaining Undeveloped Cardium Mineral Leases**
- ~ 200,000 net acres
  - Horizontal simulation predicts an average 260 acre drainage
  - Existing lands could accommodate over 700 (net) horizontal locations
  - 94 locations booked to date (PP, TP, P+P)



# Notikewin Resource Play

## Horizontal MSF Pilot #2

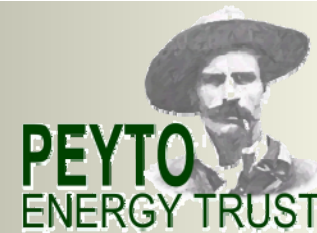
"Peyto has over 120 sections of Notikewin rights and 140 vertical producers for comparison. Horizontal wells have the potential to improve profitability much like in other zones"



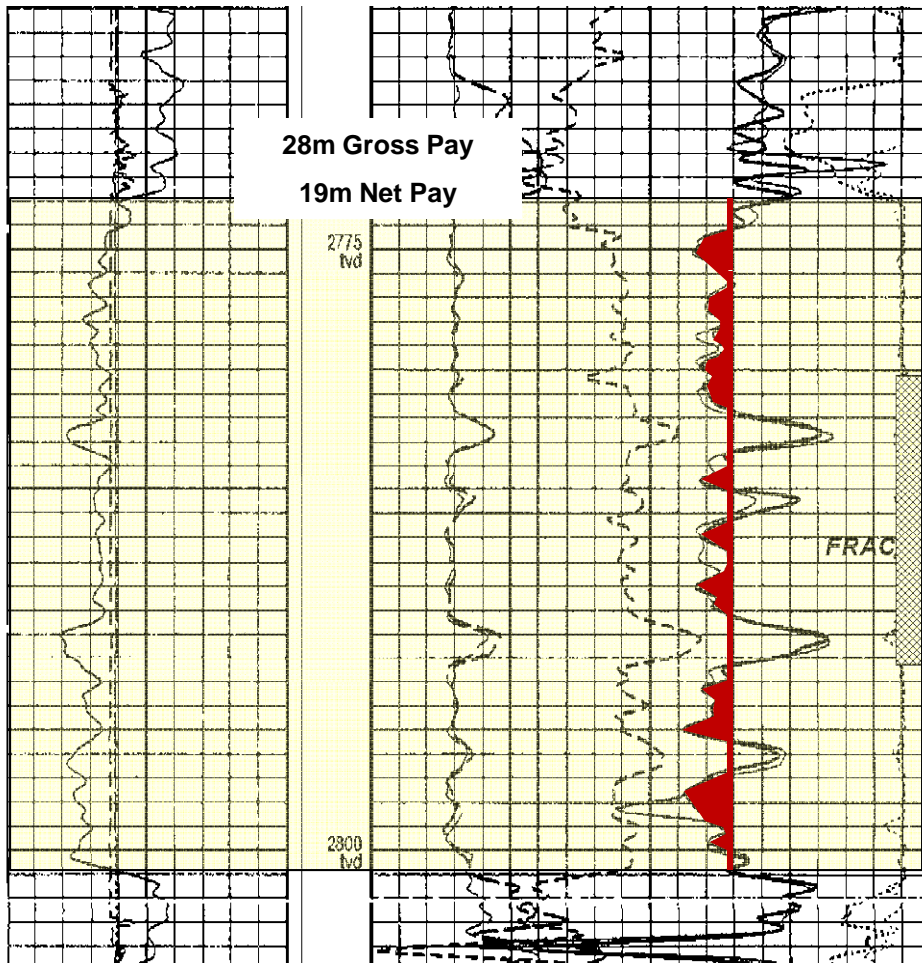


# Notikewin Resource Play

Type Log 1-20-54-22W5



"The Notikewin is a series of thick, sandstone channels that crisscross throughout the Sundance Area. We use 3D seismic to target these channels."

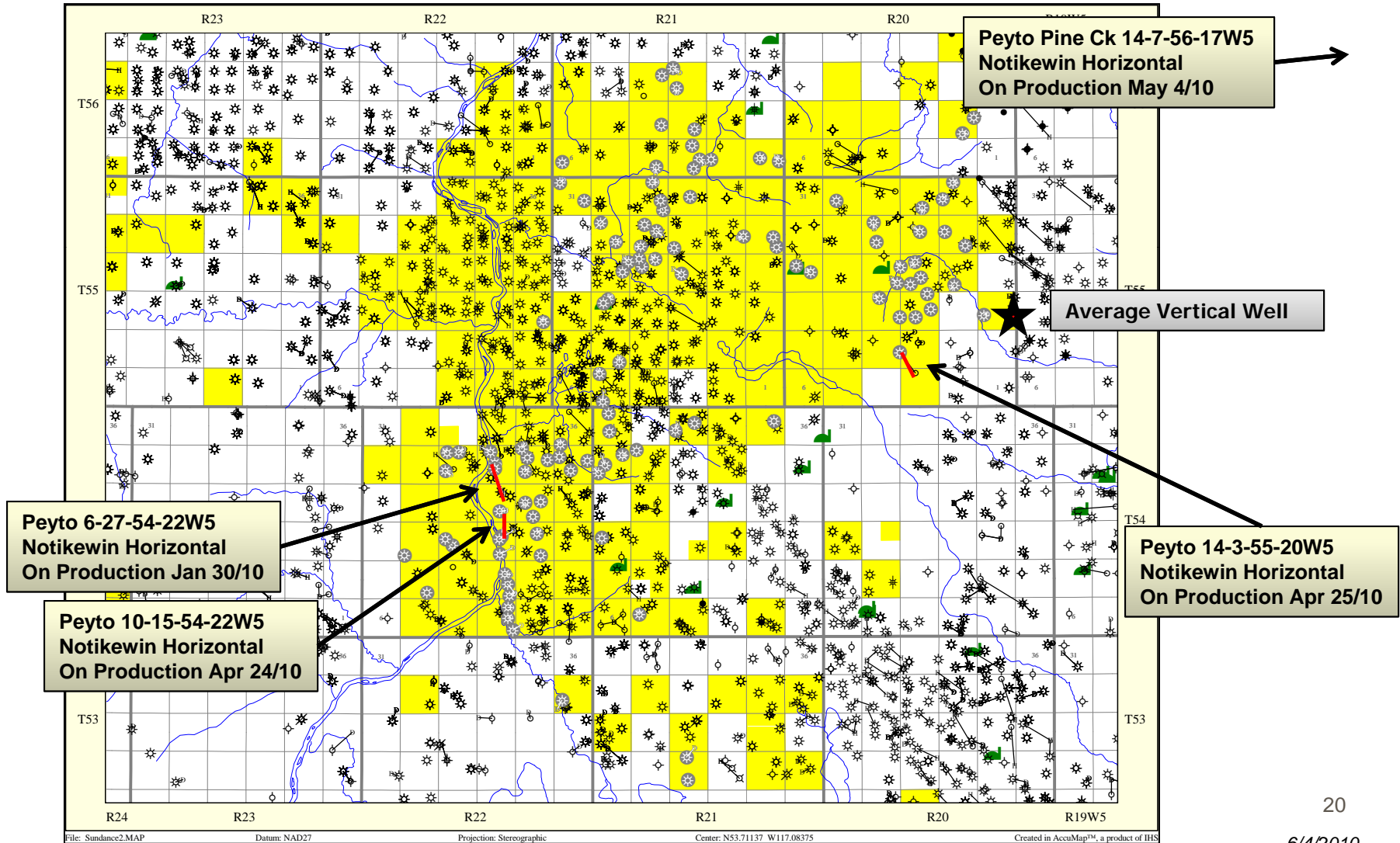


## Volumetric Reserves

AREA(Ha)=	256	(1 section)
H(m)=	19	
POROSITY(%)=	8	
SW(%)=	35	
TEMP.(Deg.C)=	96	
PRES.(kPa)=	32000	
Z=	1.02	
Recovery Factor(%)=	85	
Surface Loss(%)=	4.5	
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<b>OGIP(BCF)=</b>	<b>22</b>	
<b>RGIP RAW(BCF)=</b>	<b>18</b>	
<b>SALES GAS(BCF)=</b>	<b>18</b>	

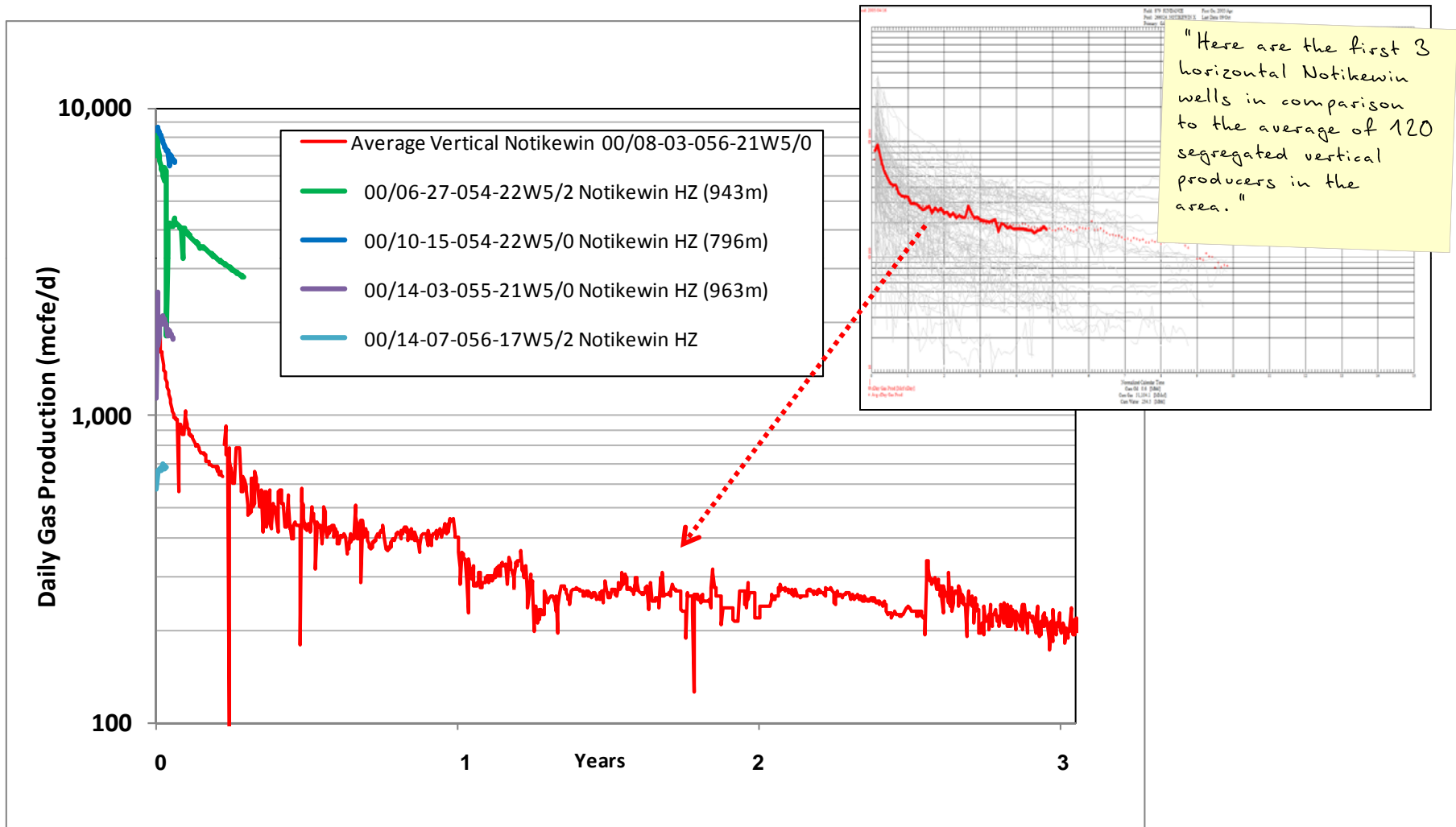
# Notikewin Resource Play

Pilot Project #2 – Greater Sundance Notikewin



# Notikewin Resource Play

Normalized Notikewin Production – Vertical vs. Horizontal

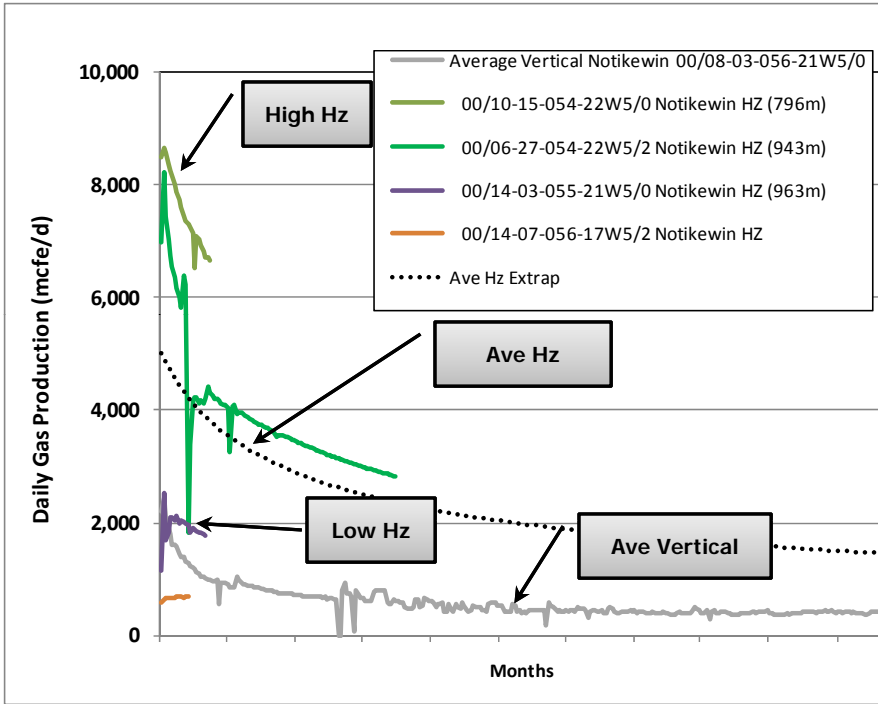


# Notikewin Resource Play

## Economic Comparison – Vertical vs. Horizontal



"So far, horizontal development of the Notikewin looks impressive with some big initial rates. This should translate into much better profitability."



	Ave Vertical 08-03-56-21W5			High Hz	Ave Horizontal		Low Hz	
<b>Ave. Costs</b>	<b>\$2,000</b>			<b>\$4,690</b>	<b>\$4,690</b>		<b>\$4,690</b>	
Drill (K\$)	\$1,300			\$2,500	\$2,500		\$2,500	
Complete	\$500			\$1,940	\$1,940		\$1,940	
E/T	\$200			\$250	\$250		\$250	
<small>*Ave vert costs for 3 wells drilled in 2009      *Average horizontal costs for 3 wells drilled in 2009/2010</small>								
<b>Production</b>								
1 <sup>st</sup> Mo. (mcf/d)	1,200			7,000	5,000		2,100	
12 <sup>th</sup> Mo.	310			1,600	1,500		540	
1 <sup>st</sup> Yr	520			2,100	2,000		860	
<b>Reserves</b>								
Gas Raw (bcf)	1.8			5.5	4.0		2.0	
Gas Sales (bcf)	1.7			5.3	3.8		1.9	
Total mboes	310			965	691		343	
<b>Economics</b>								
Gas Price (\$/GJ)	\$4	\$5	\$6	\$5	\$4	\$5	\$6	\$5
Oil Price (\$/bbl)	\$85			\$85	\$85		\$85	
IRR	22%	33%	45%	101%	61%	91%	125%	14%
PIR <sub>10</sub>	0.5	0.9	1.3	2.2	1.2	1.6	2.1	0.2
Payout (yrs)	3.8	2.8	2.1	1	1.5	1.1	0.9	5.3
NPV <sub>5</sub> (\$M)	\$ 2.2	\$ 3.3	\$ 4.4	\$ 16.0	\$ 8.2	\$ 11.3	\$ 14.0	\$ 2.4
NPV <sub>10</sub> (\$M)	\$ 1.0	\$ 1.8	\$ 2.5	\$ 10.2	\$ 5.4	\$ 7.7	\$ 9.7	\$ 0.8
F&D (\$/mcf)	\$ 1.08			\$ 0.80	\$ 1.12		\$ 2.26	

BOE factor - 6 mcf = 1 bbl of oil equivalent  
 Peyto internal reserve estimates and economic evaluation  
 Economics do not include \$200/m DRC, but do include 5% max and NGDDP

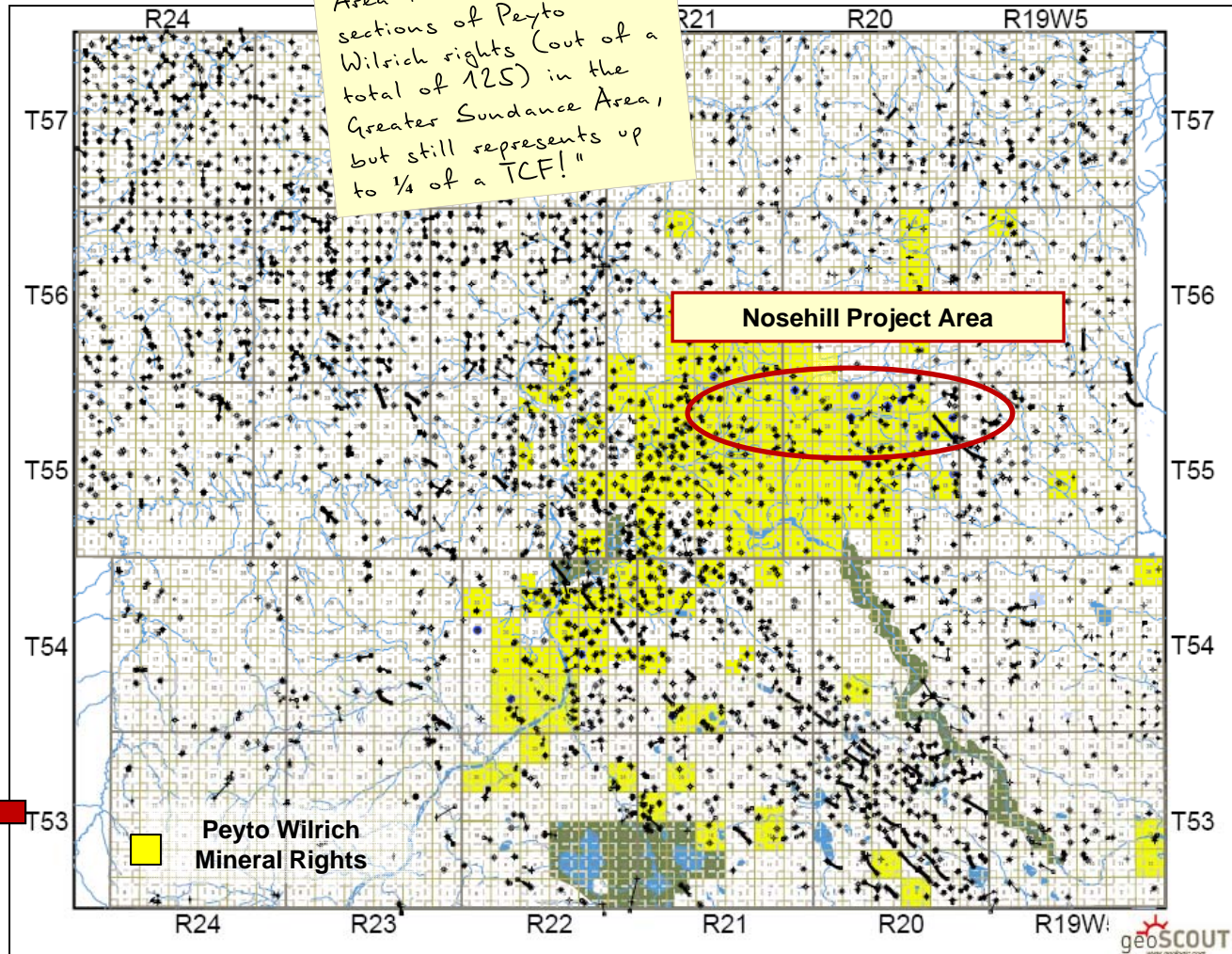
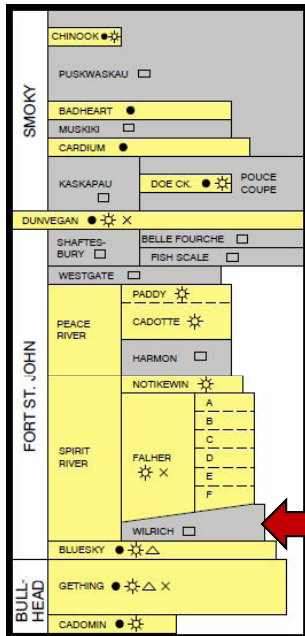


# Wilrich Resource Play

## Horizontal MSF Pilot #3



"The Nosehill Project Area focuses on 15-20 sections of Peyto Wilrich rights (out of a total of 125) in the Greater Sundance Area, but still represents up to 1/4 of a TCF!"

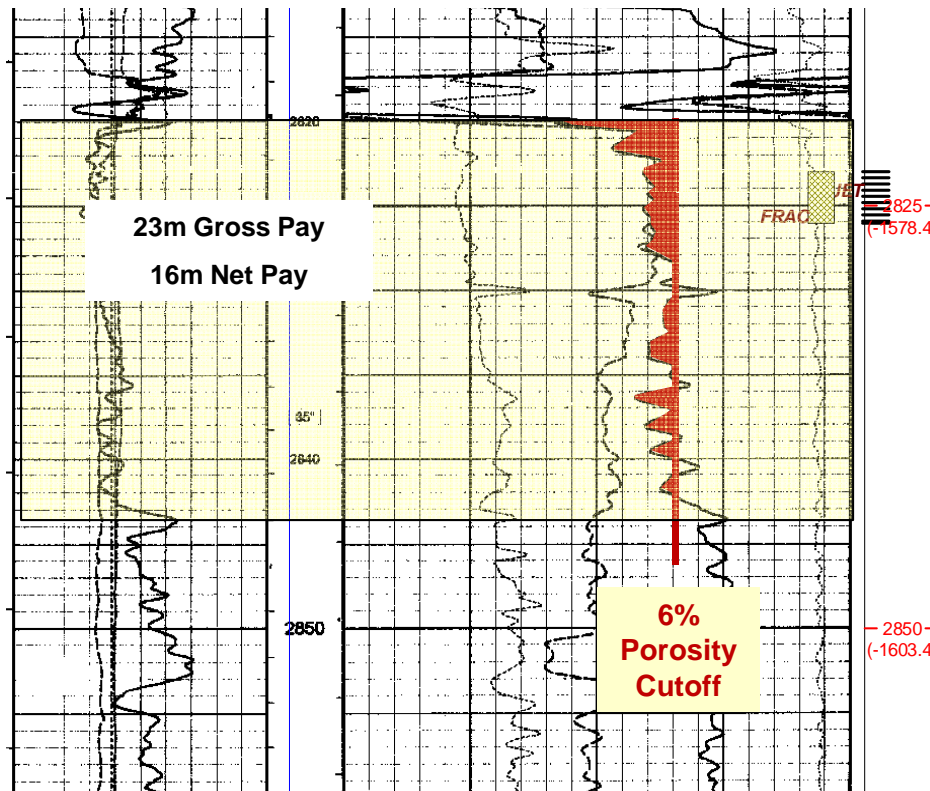


# Wilrich Resource Play

Type Log 7-5-56-20W5



"Much like the Cardium, the Wilrich is a marine sand laid down over a large area offering uniform thickness and predictability."



## Volumetric Reserves

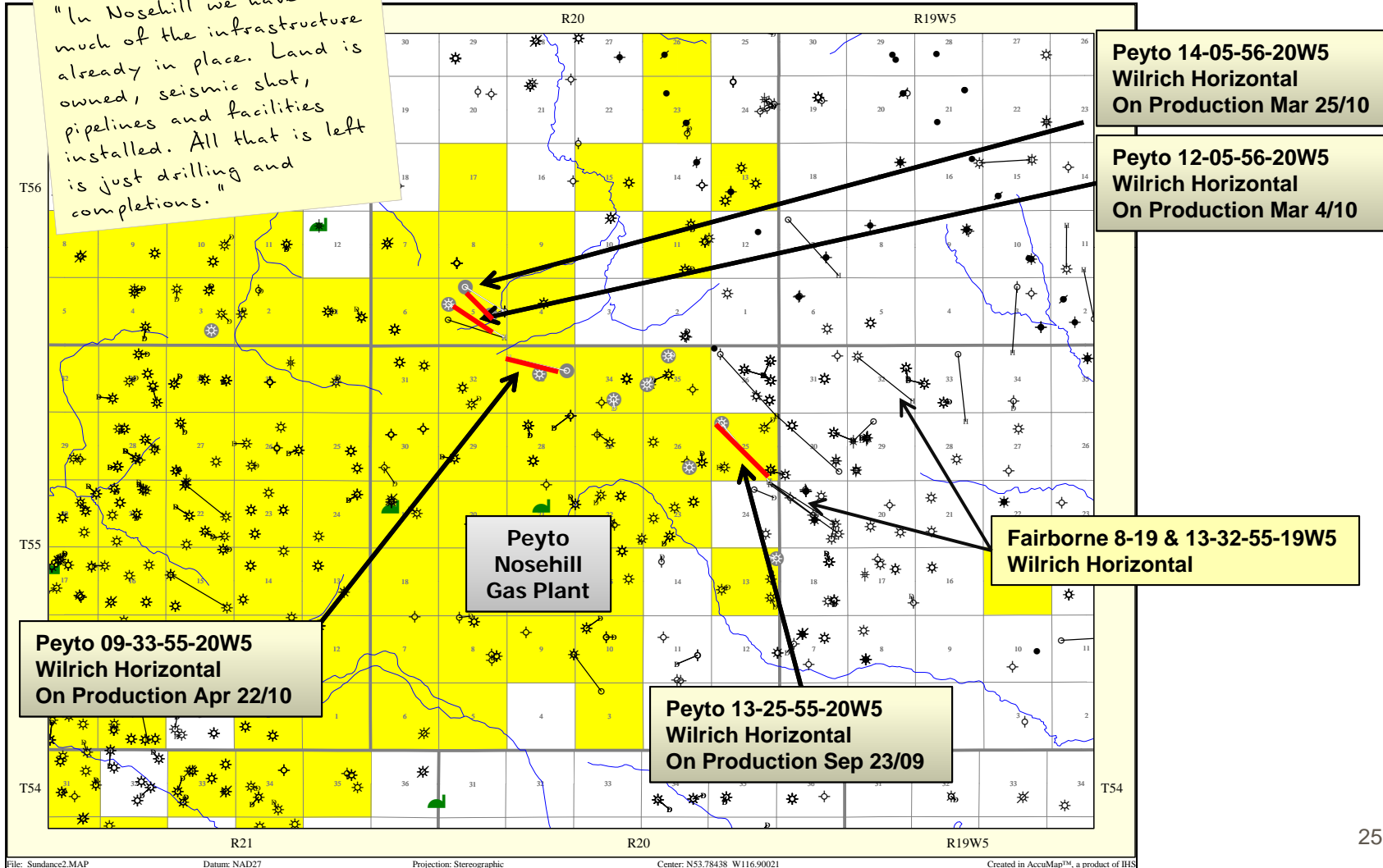
AREA(Ha)=	256	(1 section)
H(m)=	16	
POROSITY(%)=	8	
SW(%)=	35	
TEMP.(Deg.C)=	98	
PRES.(kPa)=	24000	
Z=	0.92	
Recovery Factor(%)=	85	
Surface Loss(%)=	4.5	
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OGIP(BCF)=	15	
RGIP RAW(BCF)=	13	
SALES GAS(BCF)=	12	

# Wilrich Resource Play

## Pilot Project #3 – Nosehill Wilrich



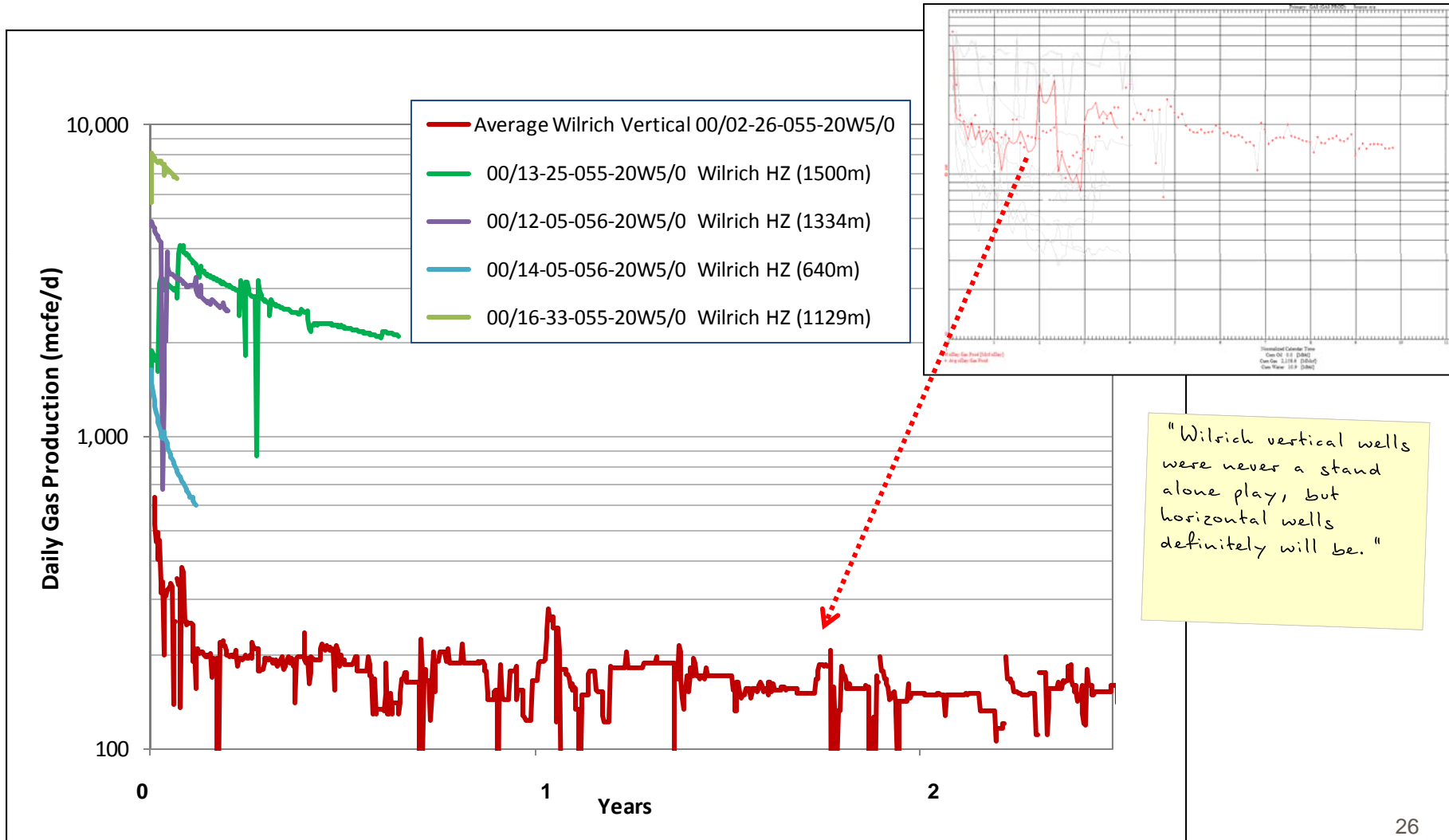
"In Nosehill we have much of the infrastructure already in place. Land is owned, seismic shot, pipelines and facilities installed. All that is left is just drilling and completions."





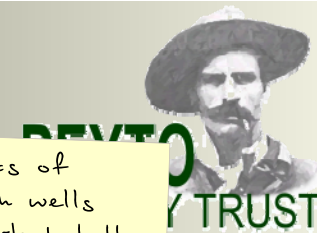
# Wilrich Resource Play

Normalized Wilrich Production – Vertical vs. Horizontal

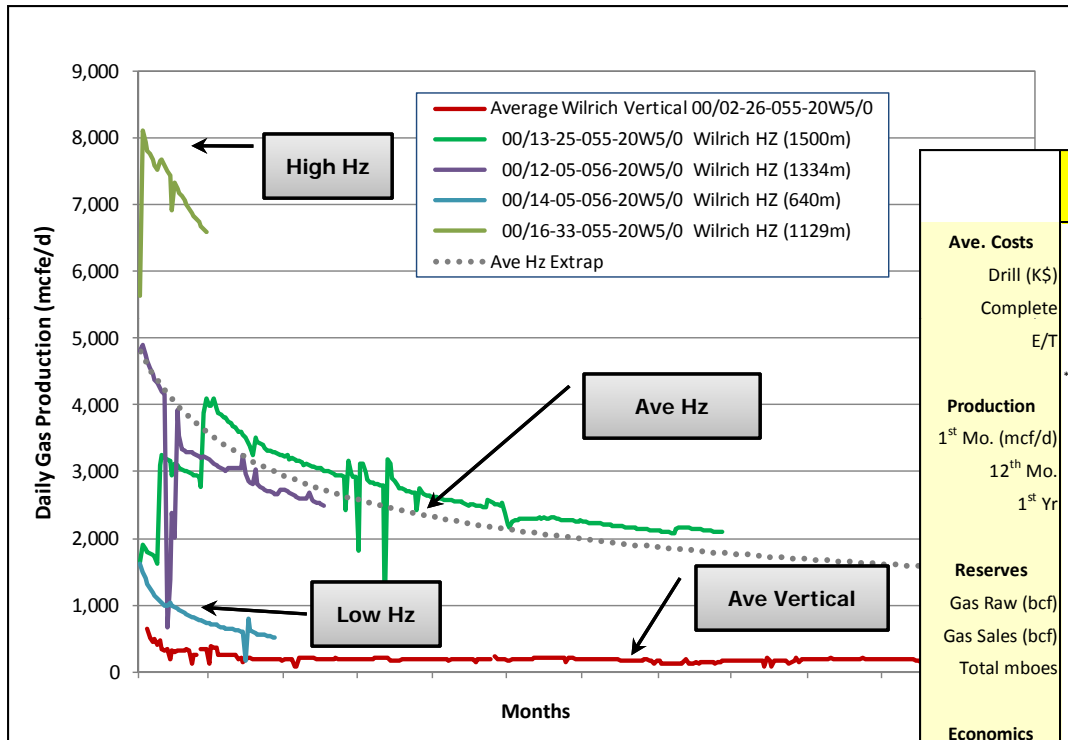


# Wilrich Resource Play

## Economic Comparison – Vertical vs. Horizontal



"The economics of vertical Wilrich wells just don't work but the average horizontal looks to be very profitable."



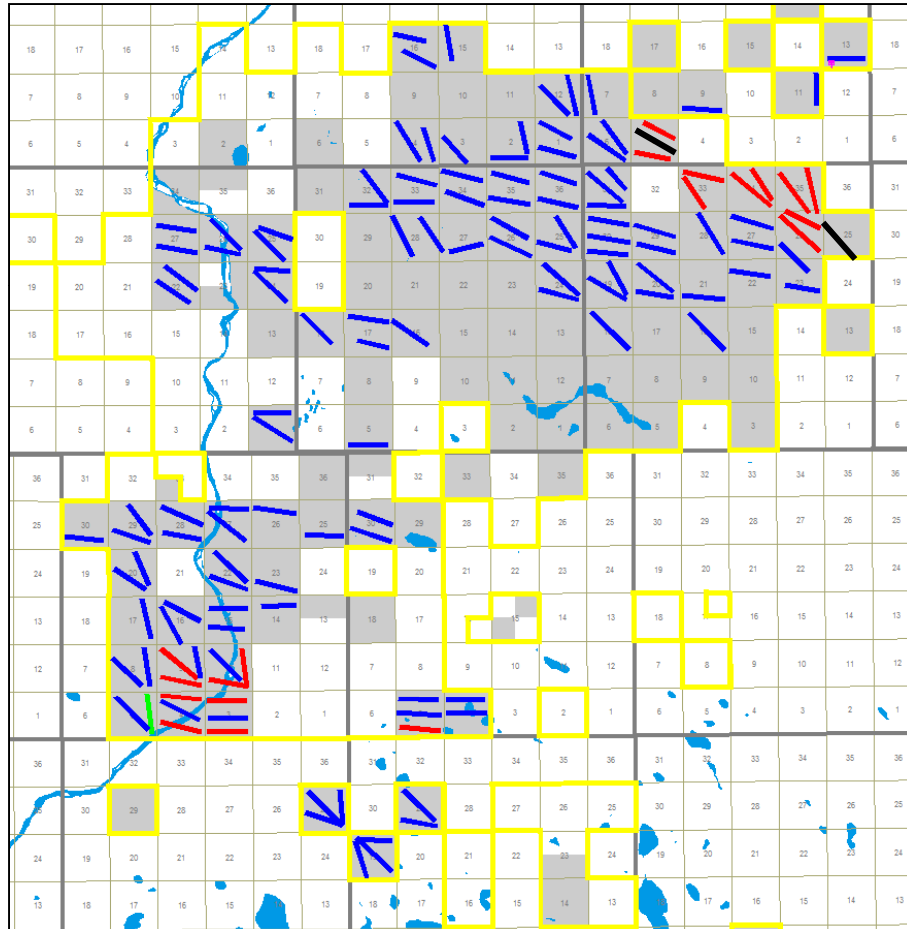
	Ave Vertical			High Hz	Ave Horizontal			Low Hz
<b>Ave. Costs</b>	<b>\$2,000</b>			<b>\$5,120</b>	<b>\$5,120</b>			<b>\$5,120</b>
Drill (K\$)	\$1,300			\$2,760	\$2,760			\$2,760
Complete	\$500			\$2,140	\$2,140			\$2,140
E/T	\$200			\$220	\$220			\$220
<small>*Ave vert costs for 3 wells drilled in 2009      *Average horizontal costs for 4 wells drilled in 2009/2010</small>								
<b>Production</b>								
1 <sup>st</sup> Mo. (mcf/d)	200			7,300	3,800			1,200
12 <sup>th</sup> Mo.	150			2,400	1,700			400
1 <sup>st</sup> Yr	170			4,100	2,900			600
<b>Reserves</b>								
Gas Raw (bcf)	0.8			5.2	4.2			1.6
Gas Sales (bcf)	0.8			5.0	4.0			1.5
Total mboes	140			905	730			280
<b>Economics</b>								
Gas Price (\$/GJ)	\$4	\$5	\$6	\$5	\$4	\$5	\$6	\$5
Oil Price (\$/bbl)	\$85			\$85	\$85			\$85
IRR	1%	5%	9%	157%	54%	79%	106%	5%
PIR <sub>10</sub>	-0.4	-0.2	-0.1	2.5	1.1	1.6	2.1	-0.2
Payout (yrs)	24	12	9	0.8	1.7	1.3	1.1	13
NPV <sub>5</sub> (\$M)	\$ (0.5)	\$ 0.0	\$ 0.6	\$ 17.0	\$ 8.8	\$ 12.1	\$ 15.3	\$ 0.2
NPV <sub>10</sub> (\$M)	\$ (0.8)	\$ (0.5)	\$ (0.1)	\$ 12.5	\$ 5.8	\$ 8.3	\$ 10.7	\$ (1.1)
F&D (\$/mcf)	\$ 2.38			\$ 0.94	\$ 1.16			\$ 3.03

BOE factor - 6 mcf = 1 bbl of oil equivalent  
 Peyto internal reserve estimates and economic evaluation  
 Economics do not include \$200/m DRC, but do include 5% max and NGDDP

# Wilrich Resource Play

## Horizontal Development Opportunities

"Overall development of the Wilrich is at a very early stage with the potential for a large inventory of undeveloped opportunities."



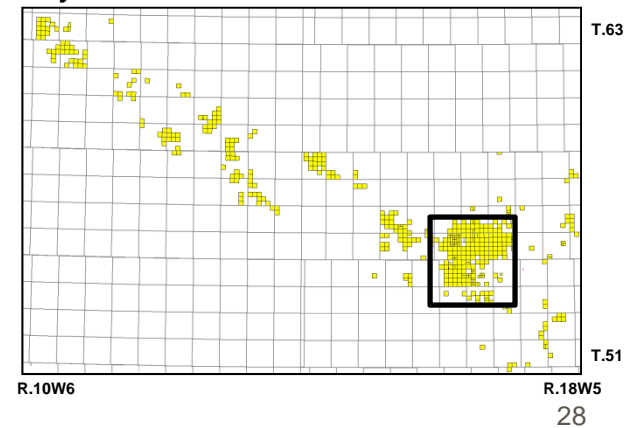
### Sundance

### Peyto HZ Wilrich Locations (138)

- HZ Wilrich On Production (2 Gross, 1.5 net)
- HZ Wilrich PUD Locations (19 gross, 18.70 Net)
- HZ Wilrich PA Locations (1 gross, 0.75 Net)
- HZ Wilrich Possible Locations (116 Gross)

Peyto Wilrich P&NG

### Peyto Land

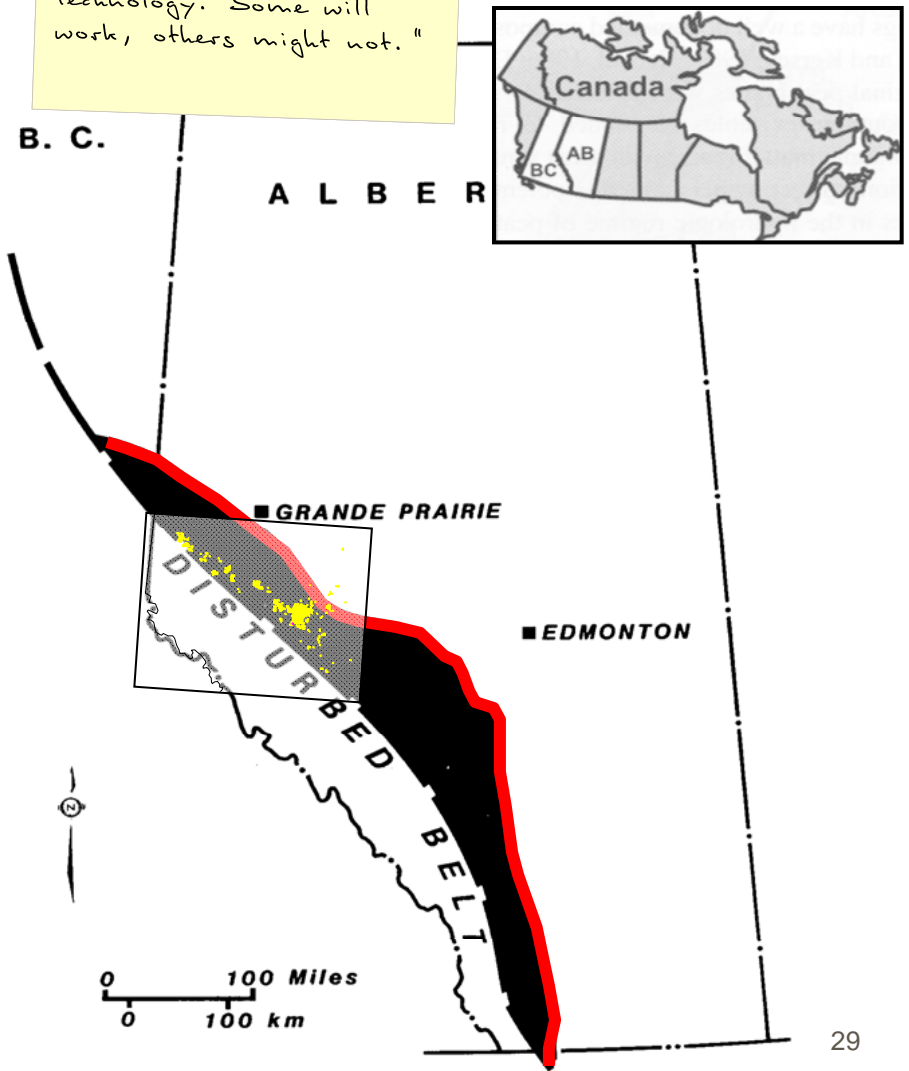
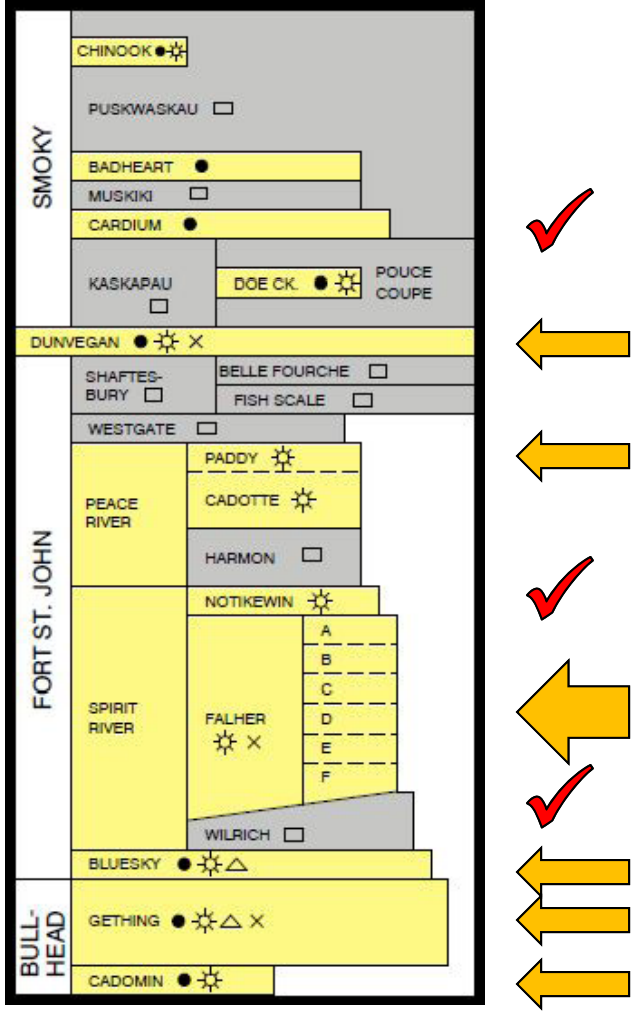
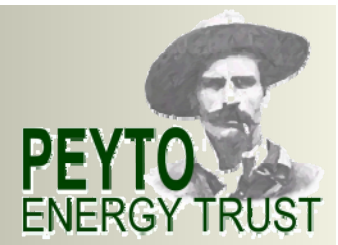


\*Proved and Probable locations recognized in Paddock Lindstrom Associates Dec. 31, 2009 Reserve Report

# Other Resource Plays

## Horizontal MSF Pilot #4 and on

"There are numerous formations in the Deep Basin that might be more profitably developed with horizontal MSF technology. Some will work, others might not."



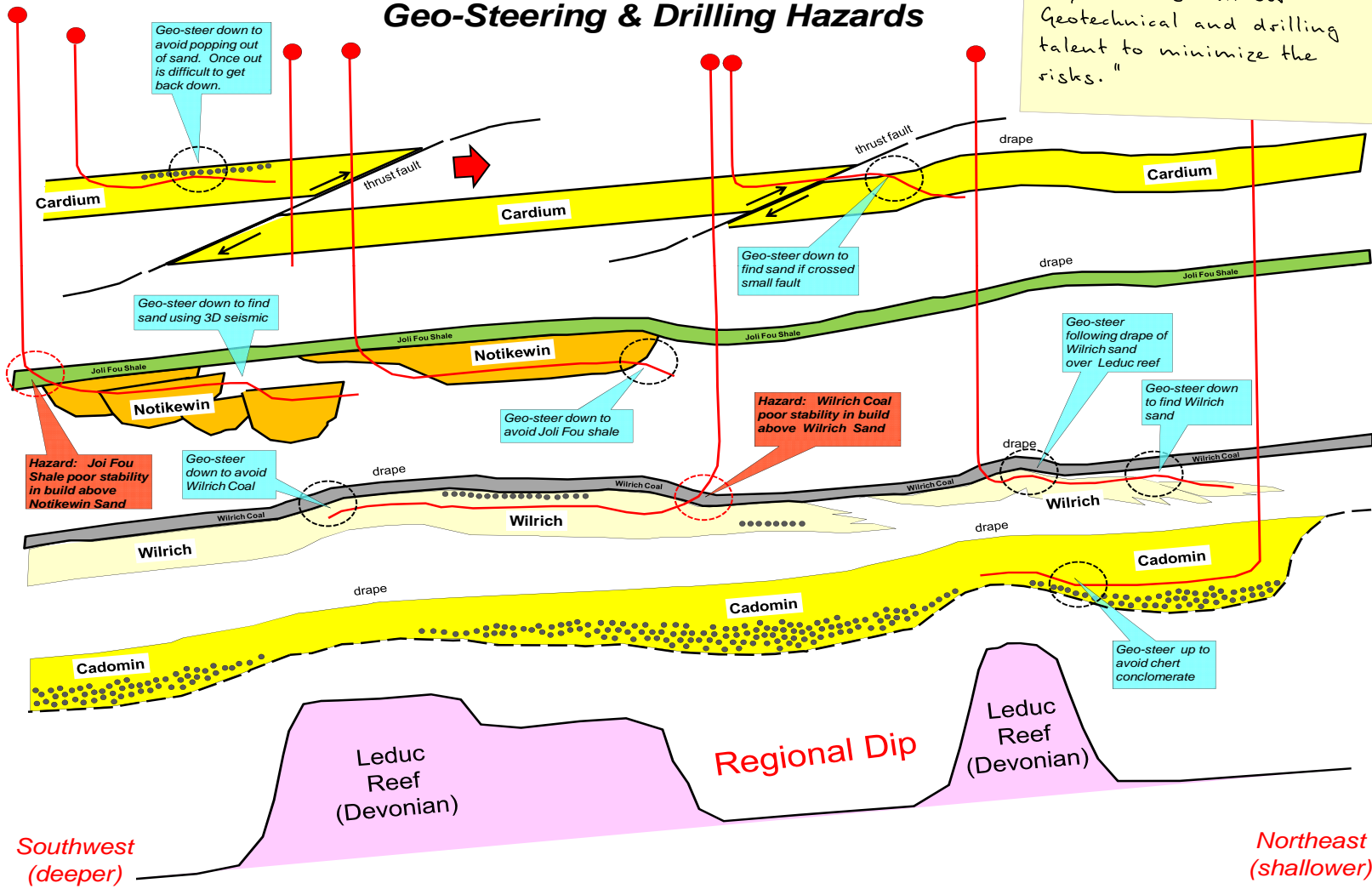
# Technical Challenges

## Horizontal MSF Directional Drilling

"The many zones in the Deep Basin all have their challenges, especially drilling horizontally. At Peyto we use all our Geotechnical and drilling talent to minimize the risks."

ST

### Geo-Steering & Drilling Hazards





# Logistical Issues

## Summer vs. Winter Completions



"Winter fracturing involves hauling, tanking and heating thousands of cubic meters of water that costs hundreds of thousands of dollars more than in summer."



# Tight Gas Resource Plays

*Horizontal MSF Pilot Projects – Our Conclusions*

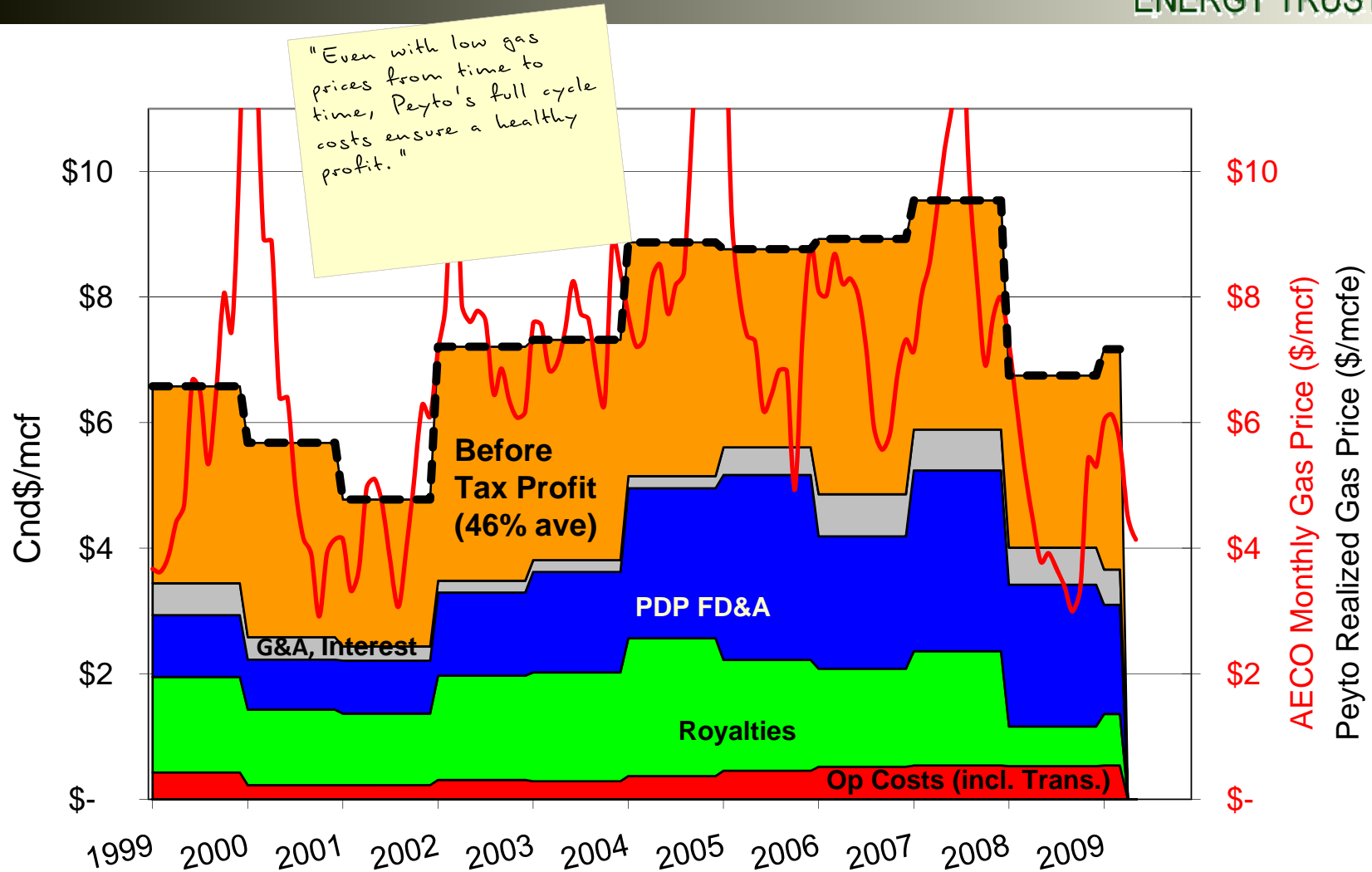


- It's still early
- Results so far are very encouraging
- Optimization work yet to happen
- More zones to be tested
- Ability to operate in summer a big plus
- Returns for Peyto are strong at \$4 gas



# Turning Upside into Value

## Peyto Full-Cycle Gas Supply Cost

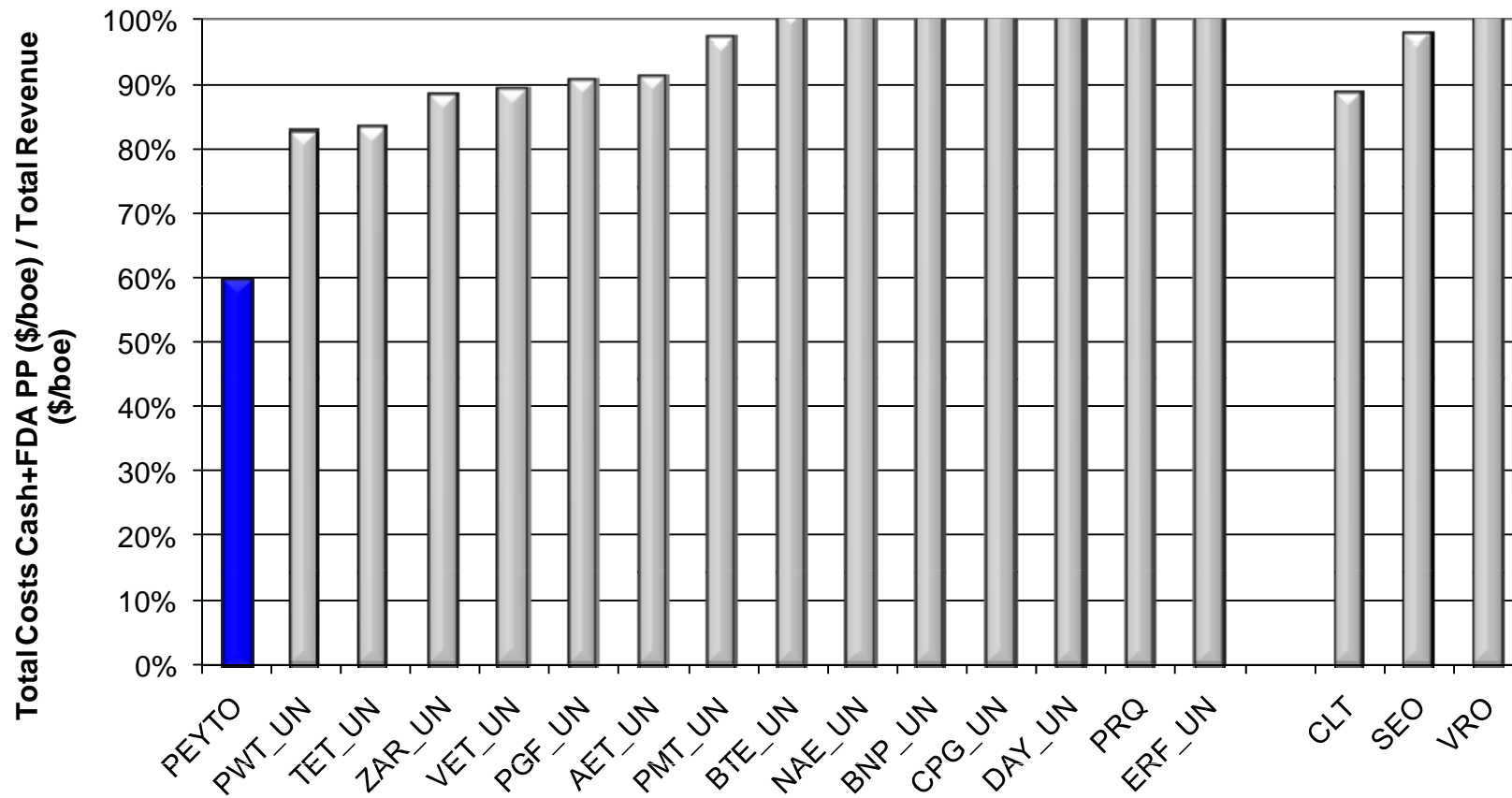


# Full Cycle Supply Cost

## Industry Comparison



2009 Low Cost Producer



# 2010 Outlook

*Increased Capital Budget*

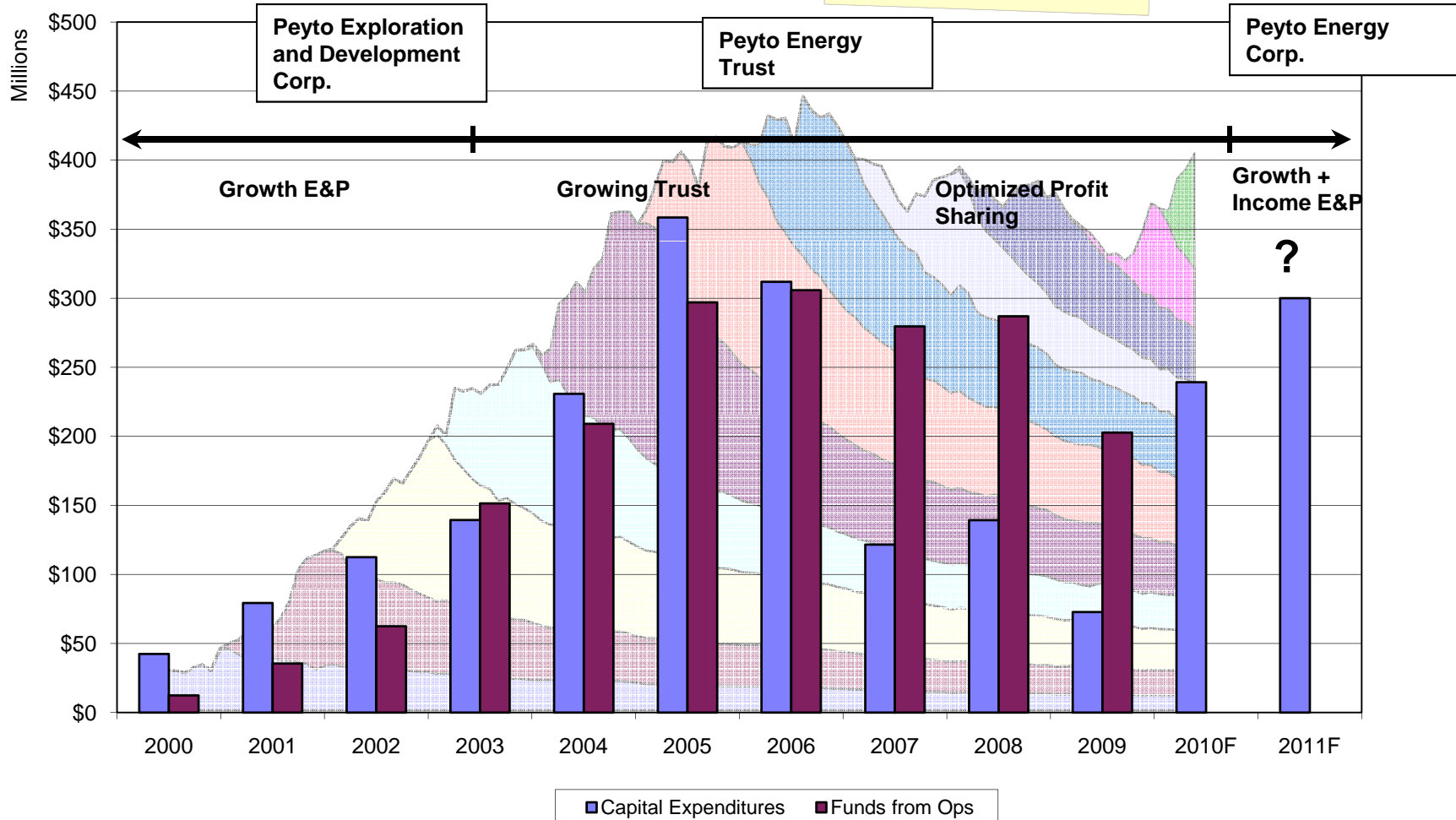


- Capital Expenditures (\$225 - \$250 million before DRC)
  - Drill & Re-Enter New Gas Locations (Hz and Vert.)
  - Expand Gas Gathering & Processing Infrastructure
  - Expand Undeveloped Inventory
  - Evaluate Impact of New Technology on Other Zones
  - Take Advantage of Royalty Incentives

# 2011 Outlook

## Evolving Corporate Structure

"As corporate structure evolves, so too does Peyto's model; from a Sustainable Energy Trust to a Total Return E&P Model."



# Advisory

## Regarding Forward-Looking Statements



*This presentation contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. More particularly and without limitation, this presentation contains forward looking statements and information concerning Peyto Energy Trust ("Peyto") production; reserves, resources and gas in place; undeveloped land holdings; reserve life index; product mix; business strategy; future development and growth prospects, profile targets and rates; prospects; asset base; tax pools; drilling locations and inventory, down-spacing potential; exploration risk; access to capital; future cash flow, value, debt levels and debt to cash flow; capital investment and expenditure programs and the funding thereof; anticipated cash-on-cash yield; net asset value; credit facility; and statements with respect to levels of distributions to be paid to unitholders, distribution policy, and the timing of payment of such distributions.*

*The forward-looking statements and information are based on certain key expectations and assumptions made by Peyto, including expectations and assumptions concerning prevailing commodity prices and exchange rates, applicable royalty rates and tax laws; future well production rates; reserve and resource volumes; the performance of existing wells; the success obtained in drilling new wells; and the sufficiency of budgeted capital expenditures in carrying out planned activities; and the availability and cost of labour and services. Although Peyto believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward looking statements and information because Peyto can give no assurance that they will prove to be correct.*

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### **Reserves**

*The recovery and reserve estimates of Peyto's crude oil, natural gas liquids and natural gas reserves provided in the presentation are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas liquids and natural gas reserves may be greater than or less than the estimates provided herein.*

### **Barrels of Oil Equivalent**

*"Boe" means barrel of oil equivalent on the basis of 1 boe to 6,000 cubic feet of natural gas. Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 1 boe for 6,000 cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.*

### **Original Gas in Place**

*Original gas in place includes both discovered and undiscovered resources, and there is no certainty that any portion of the undiscovered resources will be discovered and, if discovered, that any volumes will be economically viable or technically feasible to recover or produce. Original gas in place also includes volumes that have already been produced from such accumulations. Readers should not unduly rely upon estimates of original gas in place in terms of assessing the combined company's reserves or recoverable resources.*