



www.Peyto.com

AGM

June 2013

Advisory

I am going to tell you about my vision of Peyto's future today. I will also tell you where I think commodity prices are going to go. These are called forward looking statements. I am being truthful and using everything I know about Peyto and the industry to predict the future but I will likely be wrong on both accounts, almost certainly the commodity price. Oil and gas exploration and production is a risky business. Do your homework before making any investment. Don't blame me if it doesn't work out.

PEYTO

Exploration & Development Corp.

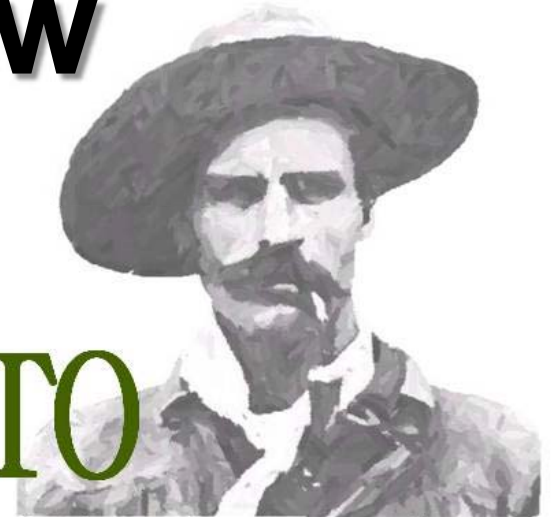


"Peyto has undergone some amazing growth over the last 3 years. So a comparison of how we conduct our business today vs a decade ago might be interesting."

Then and Now

PEYTO

Exploration & Development Corp.



The Peyto Strategy

Same As Always

"One thing that hasn't changed is the Peyto strategy. That remains the same, even if HOW we accomplish that goal has changed."

Strategic Intent

- ✓ Find, develop & produce natural gas in Alberta's Central Deep Basin.
- ✓ Focus on projects that are predictable and repeatable with long term value & immediate cash-flow.
- ✓ Control destiny by having a high working interest in the production & infrastructure.
- ✓ Create and maintain a low total cost structure.

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August 2002

The Peyto Strategy

Deploy Superior Business Acumen

- * Deep basin technical expertise
- * Continuous focus on returns
- * Internally generated drilling ideas (over 2,100 locations to date)

Develop Superior Assets

- * Operated and geographically concentrated (99% operated and processed)
- * Longest reserve life (9 yrs PDP), lowest cash costs* (\$6.30/boe - 2012)
- * Sweet, liquids rich gas stream (50% more revenue than dry gas - 2012)
- * Low risk, profitable production growth (35%/share growth rate - last 3 yrs)

Deliver Superior Returns

- * Return on capital (ave 20%)
- * Return on equity (ave 38%)
- * Shareholder rate of return (compound average 95%)

*Cash costs are royalties, operating costs, transportation, G&A and interest

5

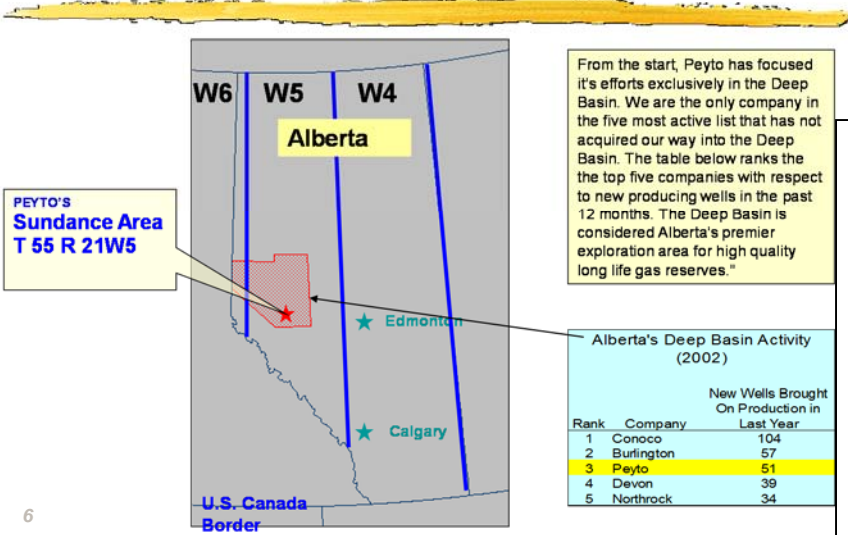
5/22/2013

The Peyto Strategy

Still Most Active Deep Basin Driller

"Repeatability and predictability is why we like the Deep Basin. Perhaps that makes Peyto boring but we prefer successful to interesting."

General Area of Operations



From the start, Peyto has focused its efforts exclusively in the Deep Basin. We are the only company in the five most active list that has not acquired our way into the Deep Basin. The table below ranks the top five companies with respect to new producing wells in the past 12 months. The Deep Basin is considered Alberta's premier exploration area for high quality long life gas reserves."

Alberta's Deep Basin Activity (2012)

Rank	Company	New Wells Brought On Production in Last Year
1	Conoco	104
2	Burlington	57
3	Peyto	51
4	Devon	39
5	Northrock	34

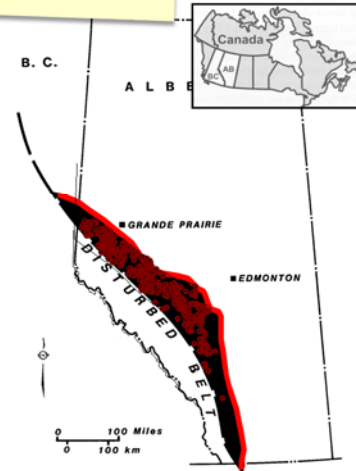
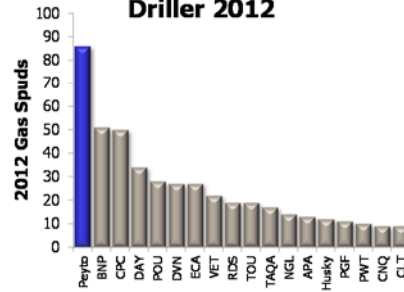
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August 2002

Peyto's Assets

Deep Basin Expert

"Peyto was by far the most active Deep Basin gas driller in 2012. Not surprising given our expertise in the area and cost structure advantage."

AB Hz Deep Basin Gas Driller 2012



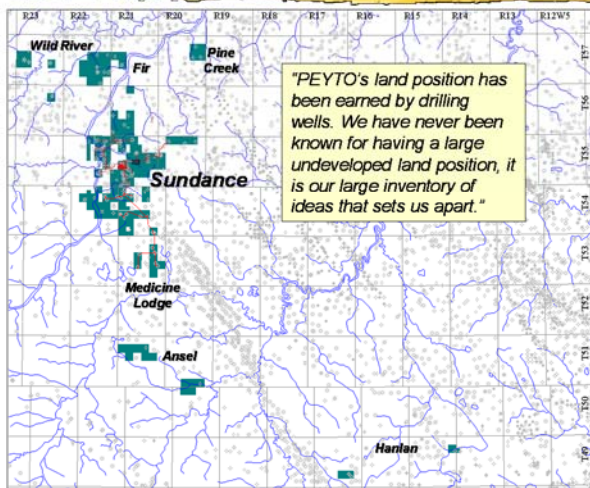
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The Peyto Strategy

Lands Are More Of The Same

"Our land base has definitely grown over the last 10 yrs. Apparently the claims that you can't get more land weren't true a decade ago, just like today."

Central Deep Basin - PEYTO Land Coverage Map



- Over 48,500 net acres (76 sections)
- Average Interest 80%
- 98% Operated

■ PEYTO Land (1 gross section or 640 acres)

PEYTO
Exploration & Development

Peyto's Assets

Deep Basin Lands Go A Long Way

624

Net Peyto Sections

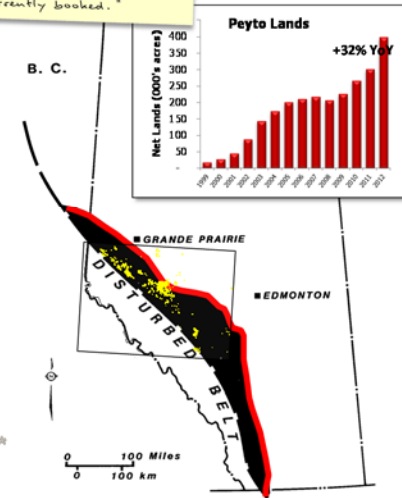
2,182

Net Sections of Cardium, Dunvegan, Notikewin, Falher, Wilrich, Bluesky, & Cadomin

176

Net Sections for 1.9 TCFe of PD EUR*

Peyto's land position in the Deep Basin has grown by over 30% in 2012, which multi zone potential more than triples. Only 8% of the land is currently developed, 13% currently booked.



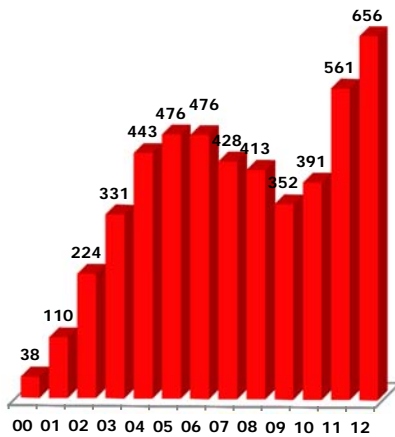
TCFe of PD EUR - Trillion Cubic Feet equivalent of Proven Developed Estimated Ultimate Recoverable
*Based on InSite Petroleum Consultants' Dec 31, 2012 Reserve Report
Lands at December 31, 2012

The Peyto Strategy

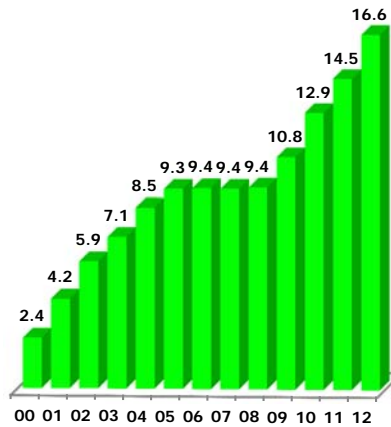
Grow Our Assets

"Our goal is to profitably grow our assets for shareholders. We've been doing that for several years, even in the face of low gas prices."

Production
(MMcfe/d/mm sh)



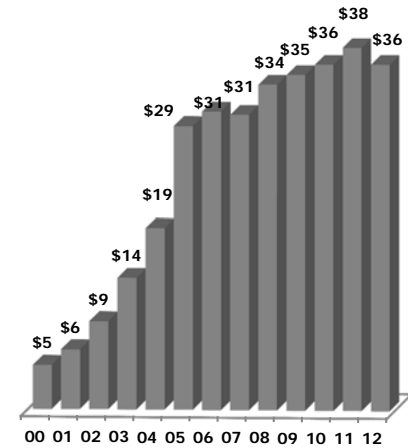
2P Reserves
(Bcfe/mm sh)



Funds from Operations
(\$/sh)



2P NPV₅ DA
(\$/sh)



BOE factor - 6 mcf = 1 bbl of oil equivalent

Reserve and production volumes are before royalty deductions

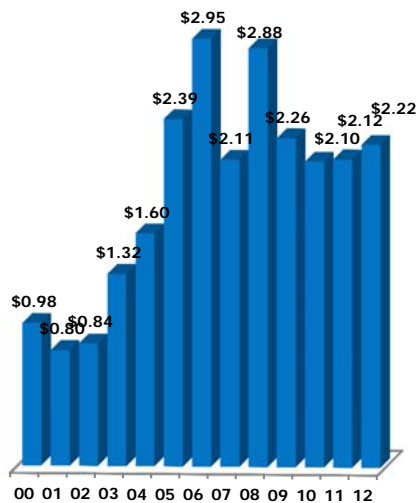
Historical annual average per share and shares outstanding numbers used above have been adjusted to reflect the May 27, 2005 2:1 stock split

The Peyto Strategy

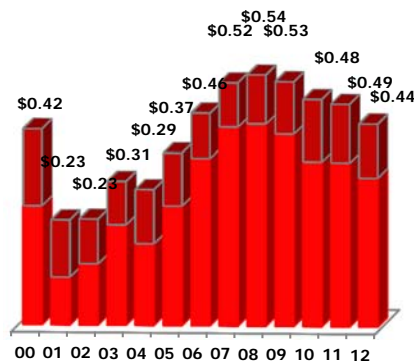
Control Our Costs

"Growth has to be profitable, otherwise what's the point? We ensure the growth is profitable by controlling our costs. Lately, capital costs are flat while cash costs are shrinking."

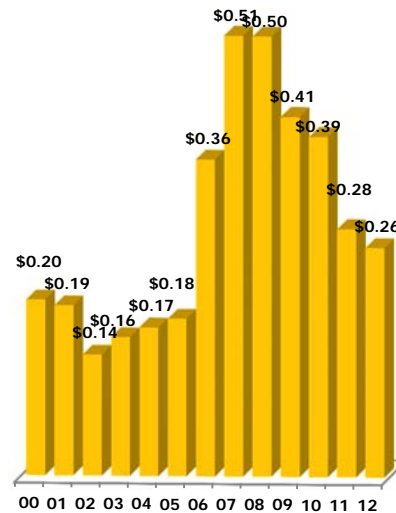
PDP FD&A
(\$/Mcf)



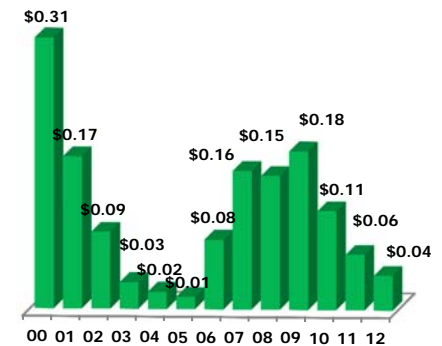
Operating Costs
w/transportation
(\$/Mcf)



Interest Cost
(\$/Mcf)



G&A
(\$/Mcf)



BOE factor - 6 mcf = 1 bbl of oil equivalent
Reserve and production volumes are before royalty deductions

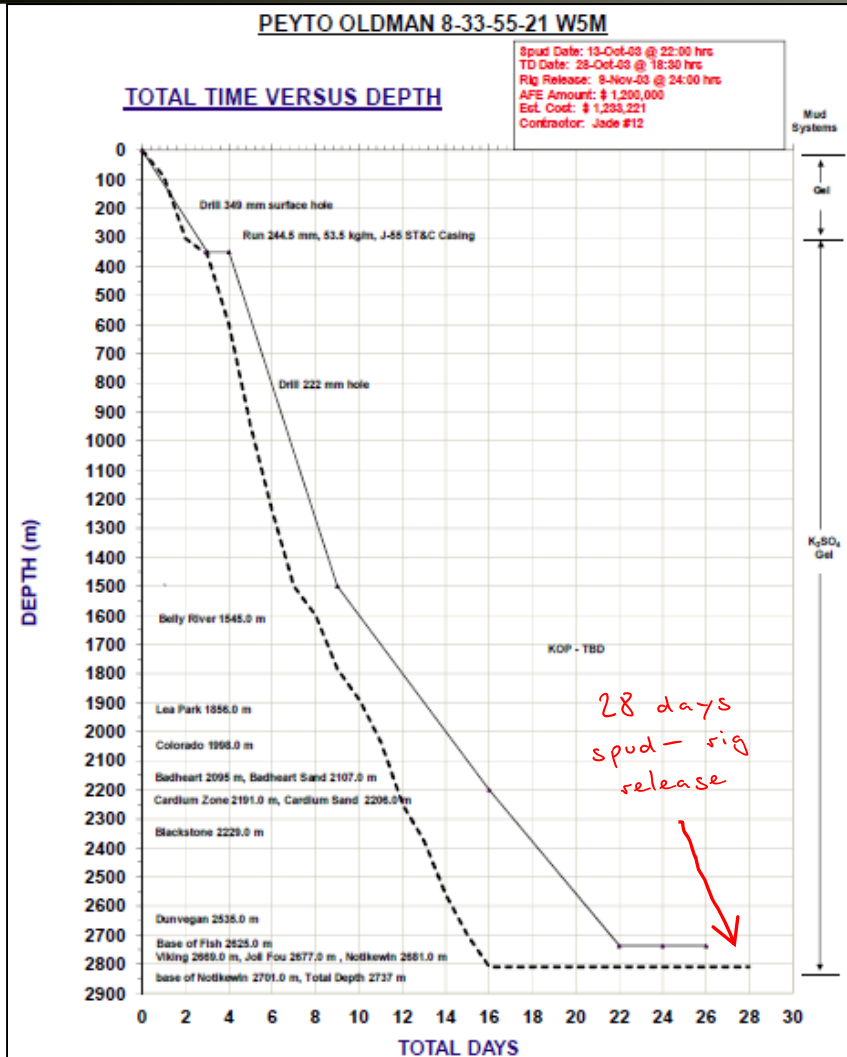
Then and Now - Operationally



The Old Way

Vertical Wellbore With Dual Completion

"This was the old way. Dual vertical wells that took 28 days to drill and 25 days to complete."



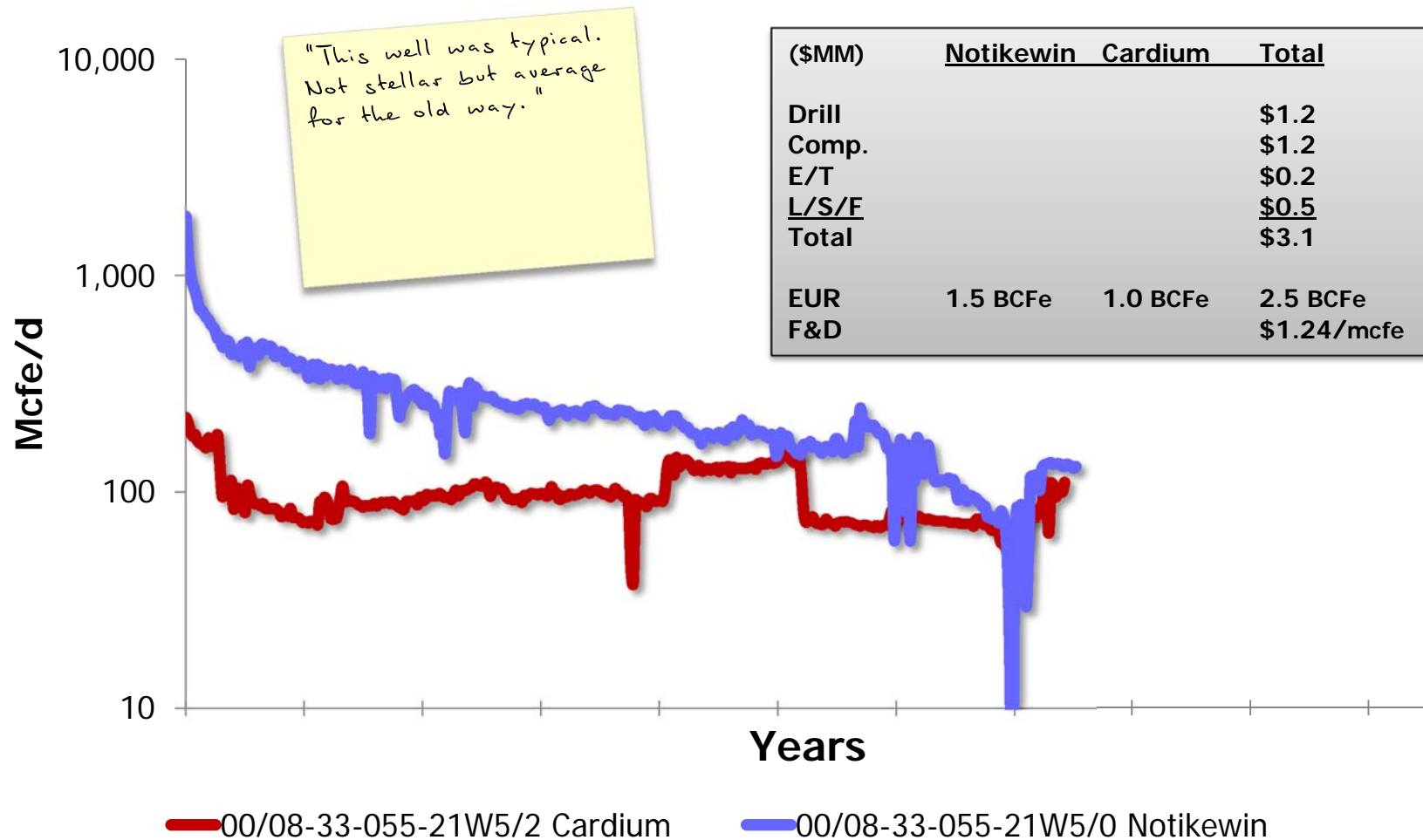
PEYTO
 Exploration & Development Corp.
 Peyto et al Oldman 08-33-055-21W5M

- 2700m MD
- 28 days Spud – RR
- Drill \$1.2MM
- Complete \$1.2MM (~\$200k/Frac)
- 80t sand in Notikewin
- 70t sand in Cardium

Joint No.	Description	Length (m)	Weight (kg)	Remarks
11	Weatherford Down to Open sliding sleeve, no profile	0.86	2229.08	50.5 mm ID, NO PROFILE
12	J-55 J-55 tubing	9.53	2219.55	
13	J-55 pup joint	1.22	2216.33	Primary tubing string joint count
14	3 - 60.3 mm EUE Blast Joints	9.00	2209.33	
15	J-55 pup joint	1.26	2208.07	139 Jts L-80 from surface to 1349 m
16	228 Jts tubing: 91 Jts J-55 + 138 Jts L-80	2192.22	15.85	138 Jts J-55 from 1348 m to 2689 m
17	L-80 pup joint	1.86	13.99	Total: 277 Jts, all SLIMHOLE
18	1 Joint L-80 tubing	9.60	4.39	
19	SteamFlo dual tubing hanger c/w BPVT's	0.24	4.15	
20	Pick up for 2,000 daN compression	-0.45	4.60	
KB-Tubing Hanger		4.60		
Tubing Bottom Landed @		2888.94	mKB	
Short String (right side of diagram)				
A	Mare - shoes tail joint	2.46	2208.08	
B	XN nipple	0.38	2207.7	47.6 mm ID, 45.5 mm No-Go
C	2 - pup joints 2.51 m + 0.73 m	3.24	2204.46	
D	X nipple	0.34	2204.12	47.6 mm ID
E	Pup joint	1.26	2202.86	
F	232 Joints tubing	2196.02	4.84	
G	Tubing hanger mandrel c/w BPVT and R.H. release	0.24	4.6	
H		4.60		
I		4.60		
J		4.60		
K		4.60		
L		4.60		
M		4.60		
N		4.60		
KB-Tubing Hanger		4.60		
Tubing Bottom Landed @		2210.64	mKB	
Packers/Bridge Plugs/Misc. Downhole Equipment				
Type	Depth	Remarks		
Sand Top @ 2753.0 KB				

The Old Way

Vertical Wellbore With Dual Cardium/Notikewin Completion

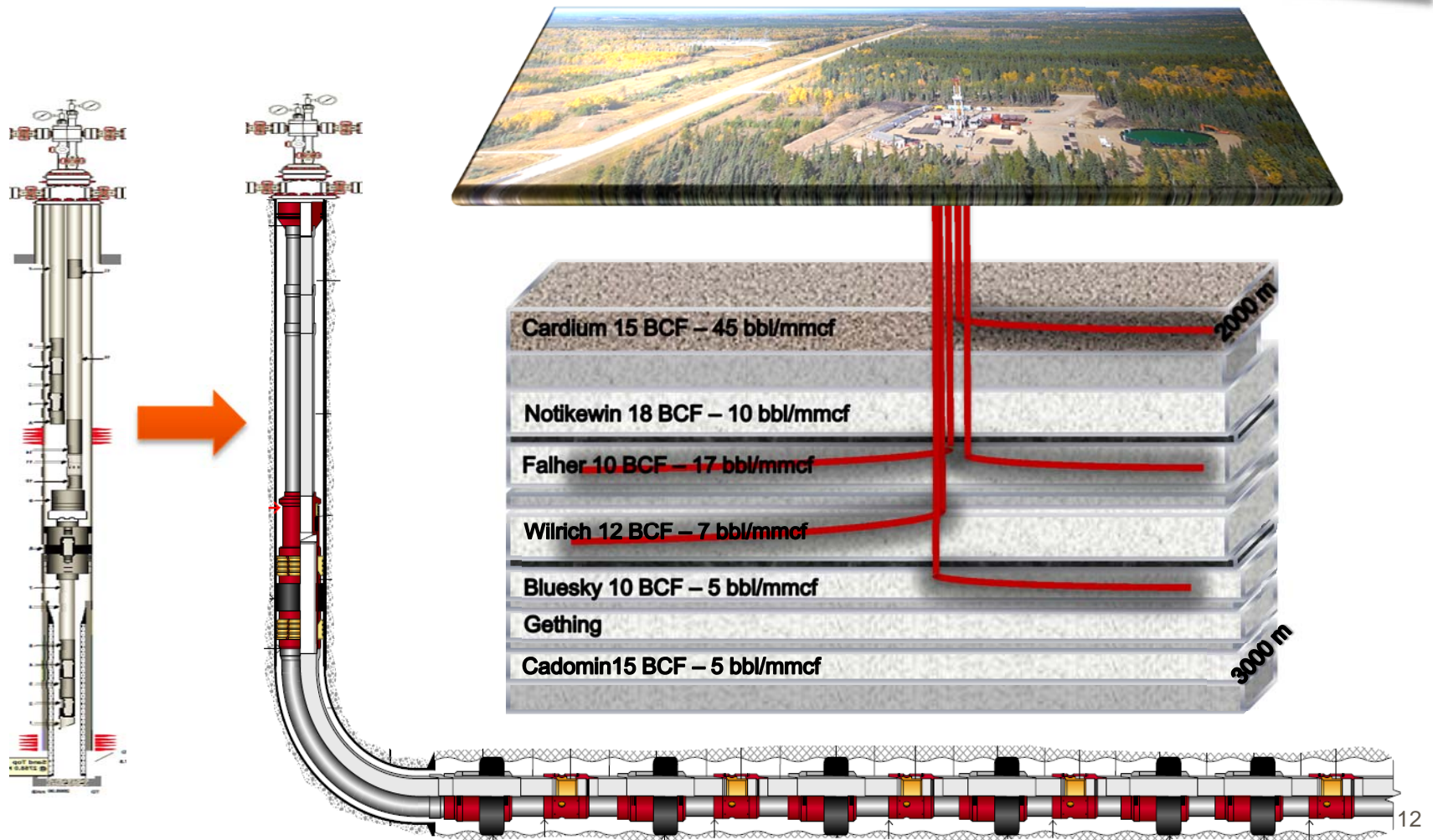


Capital costs are actual costs incurred in 2003
Reserves are current EUR assignments in the Insite Report, as of Dec 31, 2012

Then and Now - Operationally

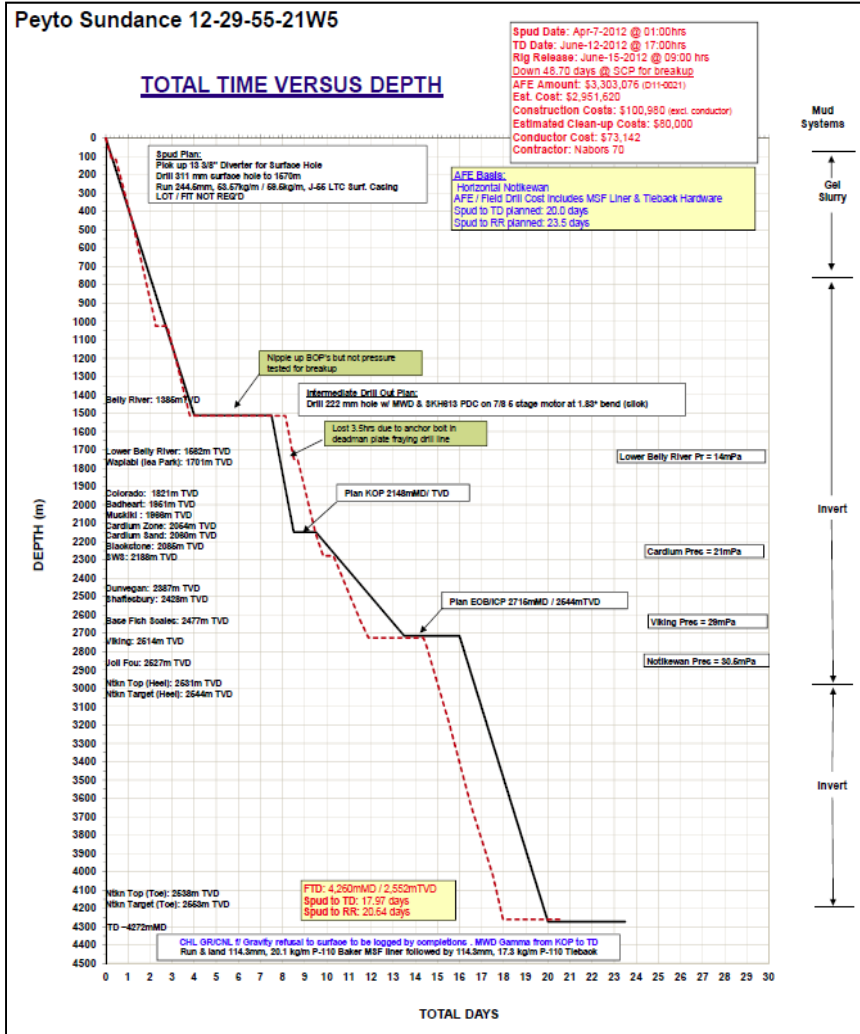
Vertical To Multi-Stage Frac Horizontal Well Designs

"The new way is quite different with horizontal wells in every layer, drilled from pad sites."



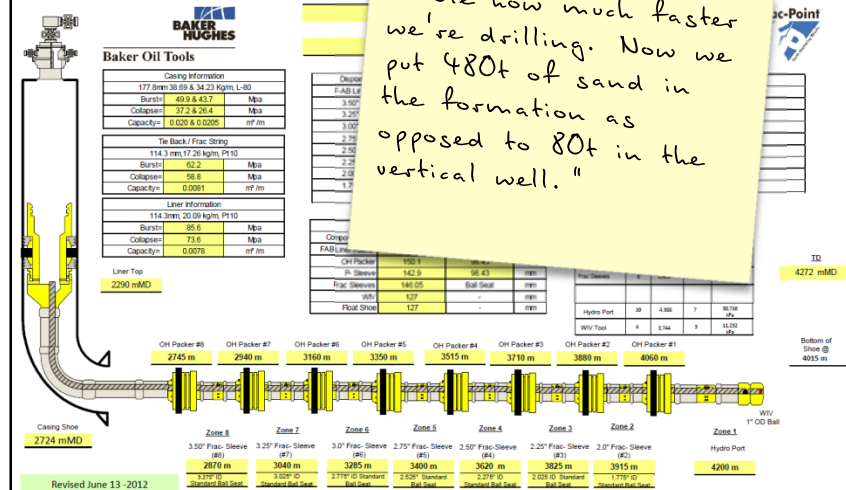
The New Way

Horizontal Wells With Multi-Stage Fracs (one zone at a time) - Notikewin



- 4270m MD
- 1500m Hz lateral (8 stg)
- 20 days Spud – RR (8 days faster than vertical!)
- Drill \$2.9MM
- Complete \$1.5MM (\$1.0MM for Fracs)
- 480t sand (60t/stage)

Mud Systems
 ↑ Gel Slurry
 ↓
 Invert
 ↓
 Invert



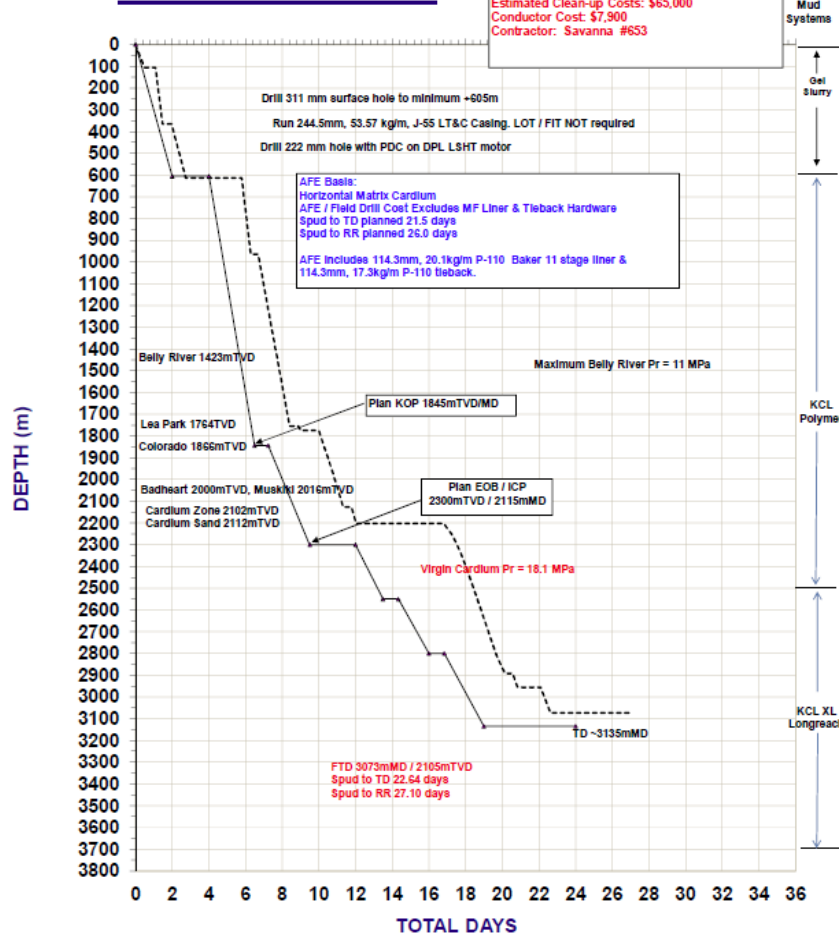
The New Way

Horizontal Wells With Multi-Stage Fracs (one zone at a time) - Cardium

Peyto Hz Sundance 16-32-55-21 W5M

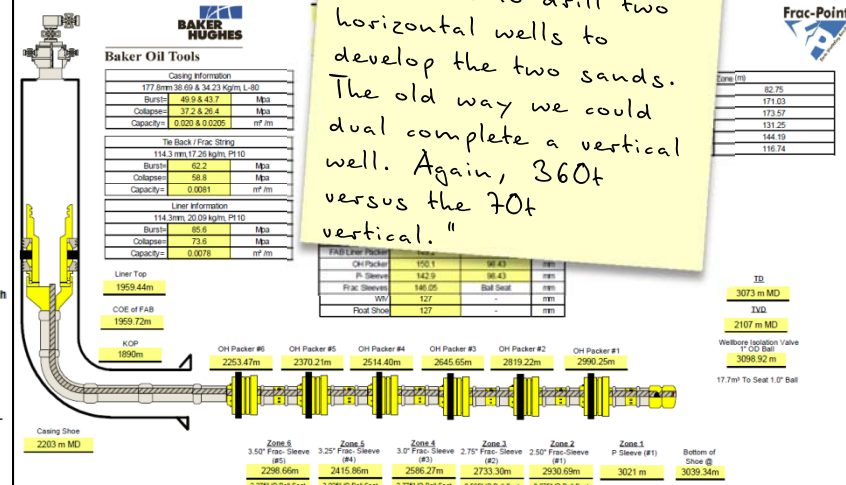
Spud Date: 19-June-2010 @ 13:30 hrs
 TD Date: 12-July-2010 @ 4:45 hrs
 Rig Release: 16-July-2010 @ 16:00 hrs
 AFE Amount: \$ 2,599,400 (D10-0023)
 Est. Cost: \$2,235,511 (tbv)
 Construction Costs: \$88,000 (excl. conductor)
 Estimated Clean-up Costs: \$65,000
 Conductor Cost: \$7,900
 Contractor: Savanna #653

TOTAL TIME VERSUS DEPTH



- 3100m MD
- 870m Hz lateral (6 stg)
- 28 days Spud – RR
- Drill \$2.2MM
- Complete \$1.9MM (\$1.0MM for Fracs)
- 360t sand (60t/stage)

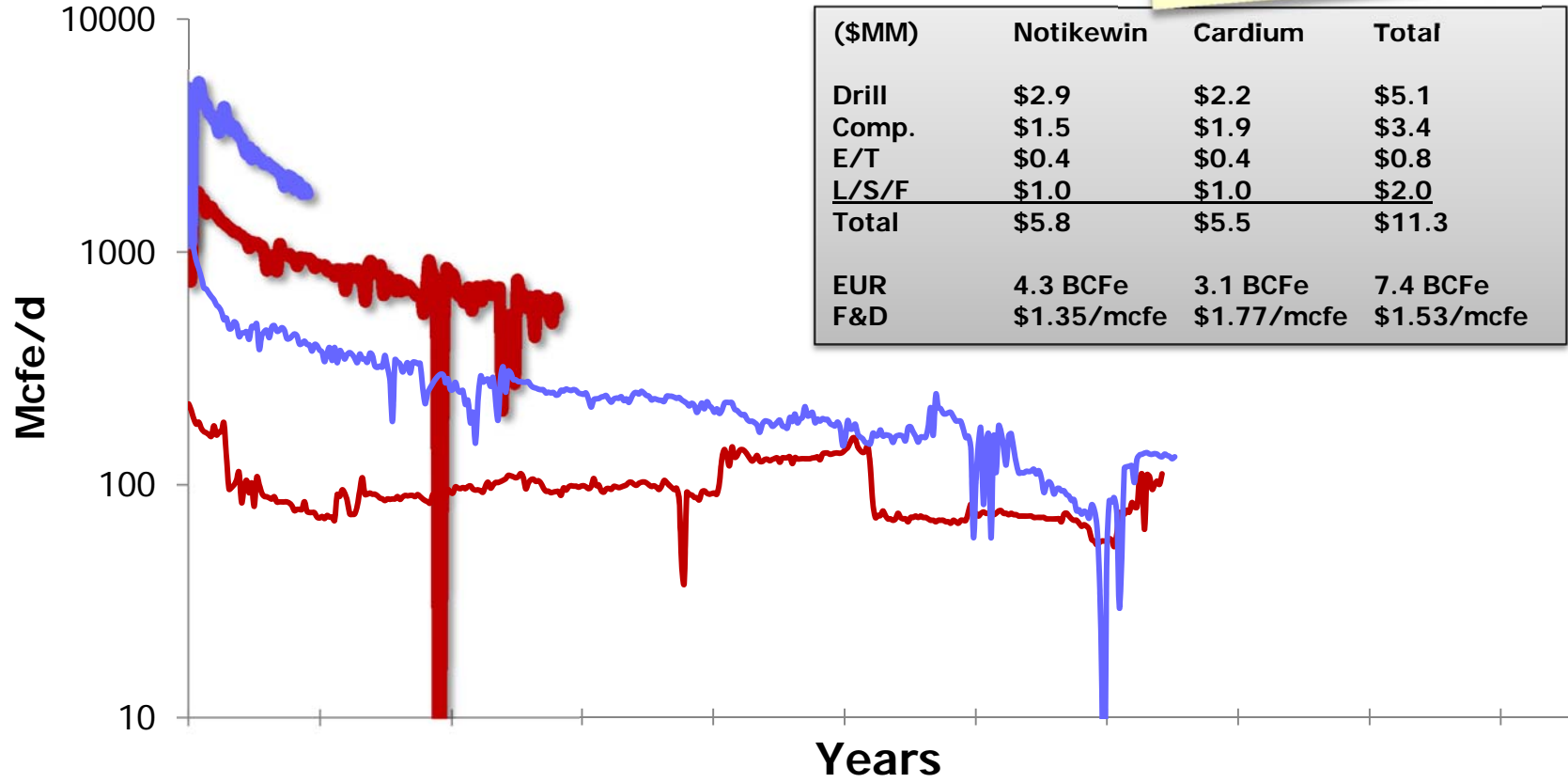
"We have to drill two horizontal wells to develop the two sands. The old way we could dual complete a vertical well. Again, 360t versus the 70t vertical."



The New Way

Two Horizontal Wells With MSF

"Production rates are much greater than the old way, but then, so are capital costs."



(\$MM)	Notikewin	Cardium	Total
Drill	\$2.9	\$2.2	\$5.1
Comp.	\$1.5	\$1.9	\$3.4
E/T	\$0.4	\$0.4	\$0.8
L/S/F	\$1.0	\$1.0	\$2.0
Total	\$5.8	\$5.5	\$11.3
EUR	4.3 BCFe	3.1 BCFe	7.4 BCFe
F&D	\$1.35/mcfe	\$1.77/mcfe	\$1.53/mcfe

- 00/16-32-055-21W5/0 Cardium
- 02/12-29-055-21W5/0 Notikewin
- 00/08-33-055-21W5/2 Cardium
- 00/08-33-055-21W5/0 Notikewin

Then and Now - Operationally

Superior Hz Well Economics

"We could still do it cheaper the old way "F" we had the old costs. But now it costs more, so the new way is cheaper."

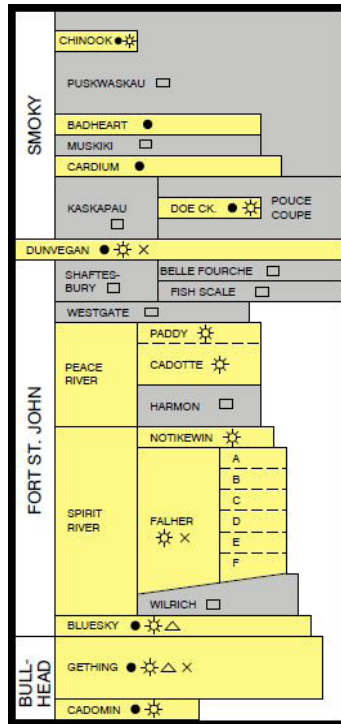
	Old Way		New Way		
	Dual Card/Not		Total	Card Hz	Not Hz
	(in 2003\$)	(in 2013\$)	(in 2013\$)		
(\$MM)					
Drill	\$ 1.2	\$ 1.6	\$ 5.1	\$ 2.2	\$ 2.9
Complete	\$ 1.2	\$ 1.4	\$ 3.4	\$ 1.9	\$ 1.5
Equip/Tie	\$ 0.2	\$ 0.8	\$ 0.8	\$ 0.4	\$ 0.4
Land/Seis/Facil	\$ 0.5	\$ 0.6	\$ 2.0	\$ 1.0	\$ 1.0
Total	\$ 3.1	\$ 4.4	\$ 11.3	\$ 5.5	\$ 5.8
EUR (BCFe)	2.5	2.5	7.4	3.1	4.3
FD&A (\$/mcfe)	\$ 1.24	\$ 1.75	\$ 1.53	\$ 1.77	\$ 1.35
IRR (%)		11%	40%	29%	54%

IRRs determined using current strip pricing \$3.60, \$3.70, \$3.80/GJ AECO gas price, \$95 Edm lt. oil price

The New Way

Large Hz MSF Inventory

"The new way allows us to do more and faster, generating even greater returns. And it's unlocked more zones than before."



<u>Done</u> ¹		<u>To Do</u>	
<u>Total Vertical Wells</u>	<u>Total Hz Wells</u>	<u>Total Hz Locations Booked*</u>	<u>Total Hz Locations Unbooked</u>
432	52	191	56
5	1	5	29
1			14
90	39	79	61
7	14	14	54
	13	35	222
14	93	97	165
4	6	46	36
12	2		
<u>87</u>	<u>2</u>	<u>21</u>	<u>205</u>
652	222	488	842

← **Old Way** | **New Way** →

Over 1300 locations

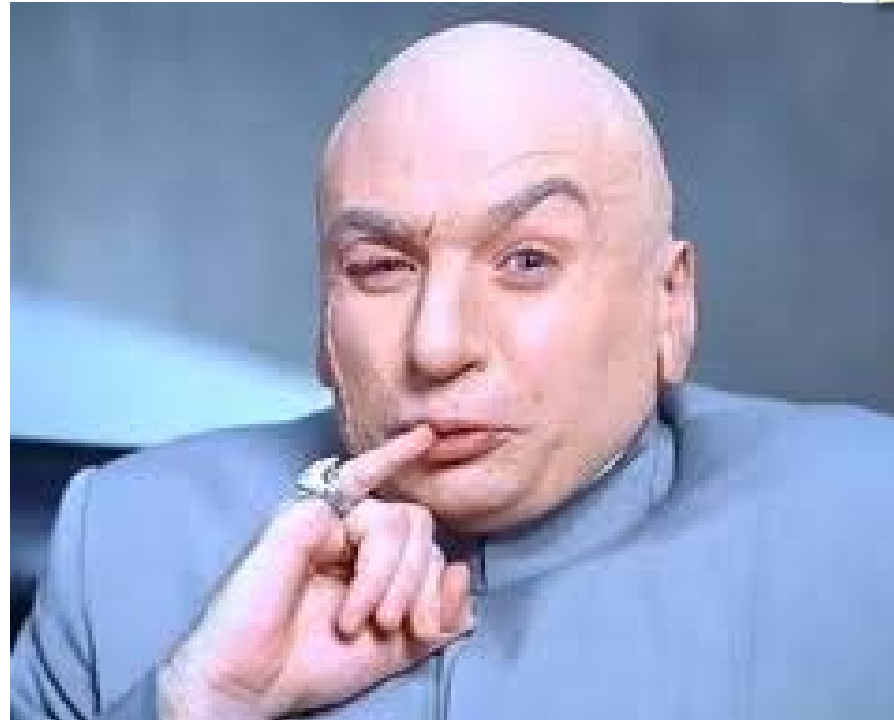
1. Drilling to Dec 31, 2012

*As recognized in the IPC independent reserve report dated Dec. 31, 2012

The New Way

Expertise Through Experience

"Being one of the most active horizontal drillers in the Deep Basin gives us a significant advantage from an experience standpoint."



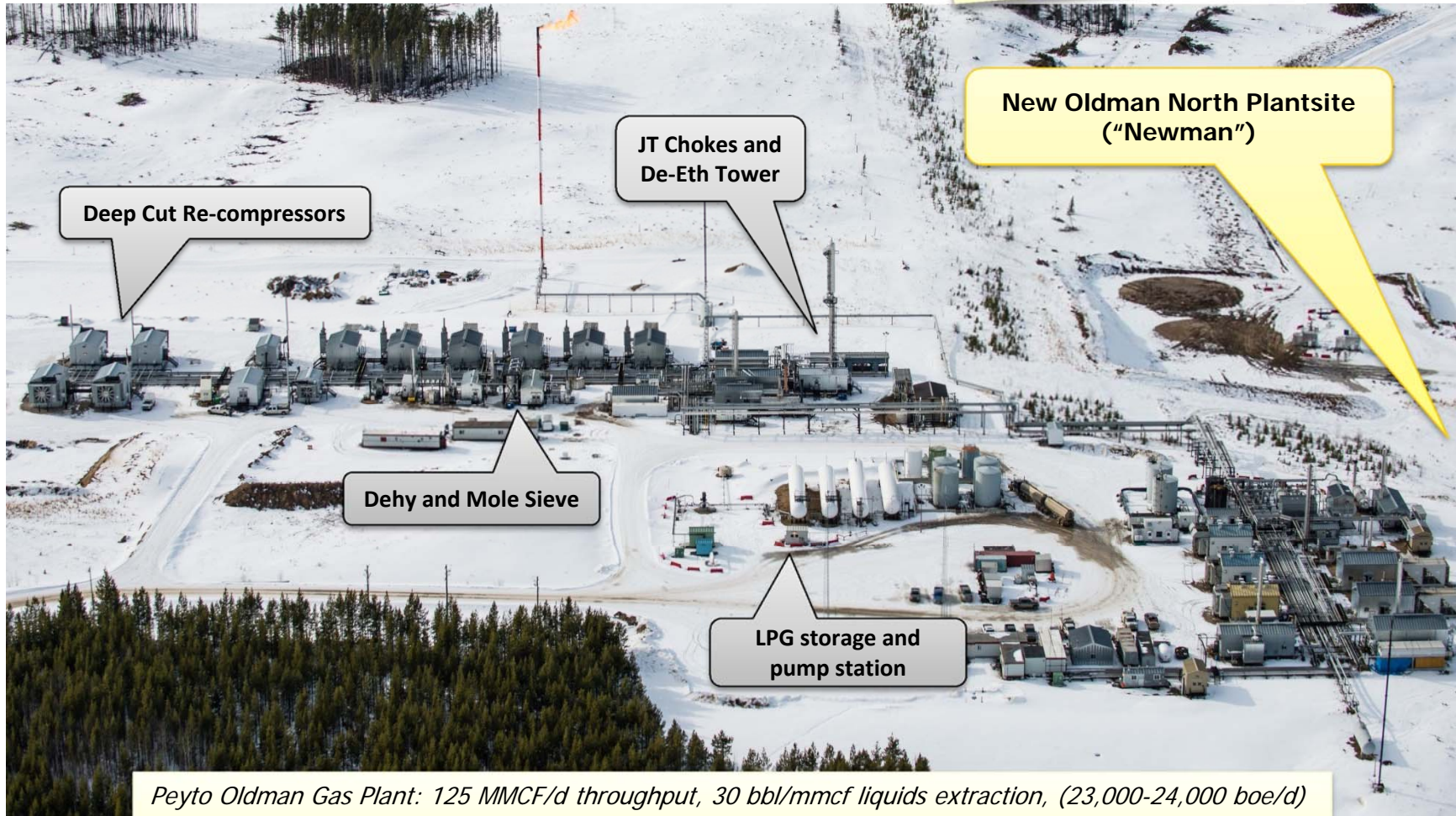
1 MILLION METERS

of horizontal wellbore drilled since Aug 2009

The New Way

Oldman "Cheap Cut" NGL Extraction

"Drilling isn't the only thing we're doing differently today. The Peyto cheap cut allow us to strip more liquids."



Peyto Oldman Gas Plant: 125 MMCF/d throughput, 30 bbl/mmcft liquids extraction, (23,000-24,000 boe/d)

The New Way

Self Sufficient Energy Inputs

"And our CNG station allows us to displace the diesel in our operations for natural gas."

Gas Plant Compression

Gas Plant Refrigeration and Control

Operating Personnel Vehicles

\$5MM

Estimated Savings/yr.

Drilling Rig Power

Drilling Rig Heat (Boilers)

Frac Fluid Heat

Diesel \$1.00/litre
Nat Gas \$3.00/Mcf (~\$0.10/litre)

Then and Now – Economic Returns



Then and Now – Economic Returns

“Building it for less than we sell it”

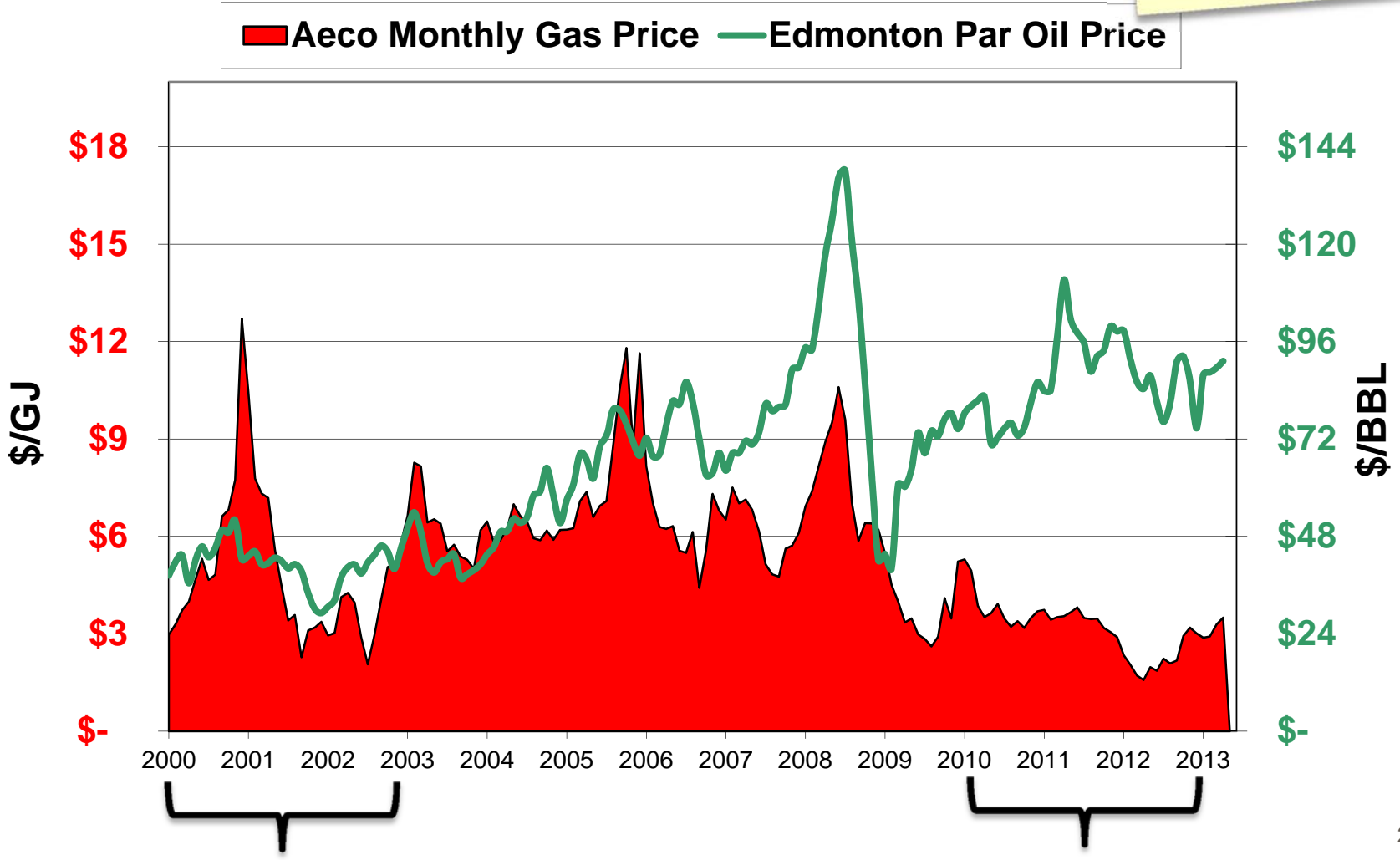
“The cost to build it is significantly higher today (+144%) even though we are selling it for the same effective price. That's a 9% CAGR in building cost over a decade.”

	<u>PEY 2000 - 2002</u>	<u>PEY 2010 - 2012</u>	
PDP FD&A \$/mcfe	(\$0.88)	(\$2.15)	144%
Cash Costs \$/mcfe	<u>(\$1.92)</u>	<u>(\$1.34)</u>	(30%)
Total Costs \$/mcfe	(\$2.80)	(\$3.49)	25%
Sales Price \$/mcfe	<u>\$5.68</u>	<u>\$5.29</u>	(7%)
Profit	\$2.89	\$1.80	

Then and Now – Economic Returns

Fighting Oil Price Inflation

"The cost of fuel has been a big part of that cost increase. Oil now sells for 5 times the equivalent price of gas. We need to use gas to find gas."

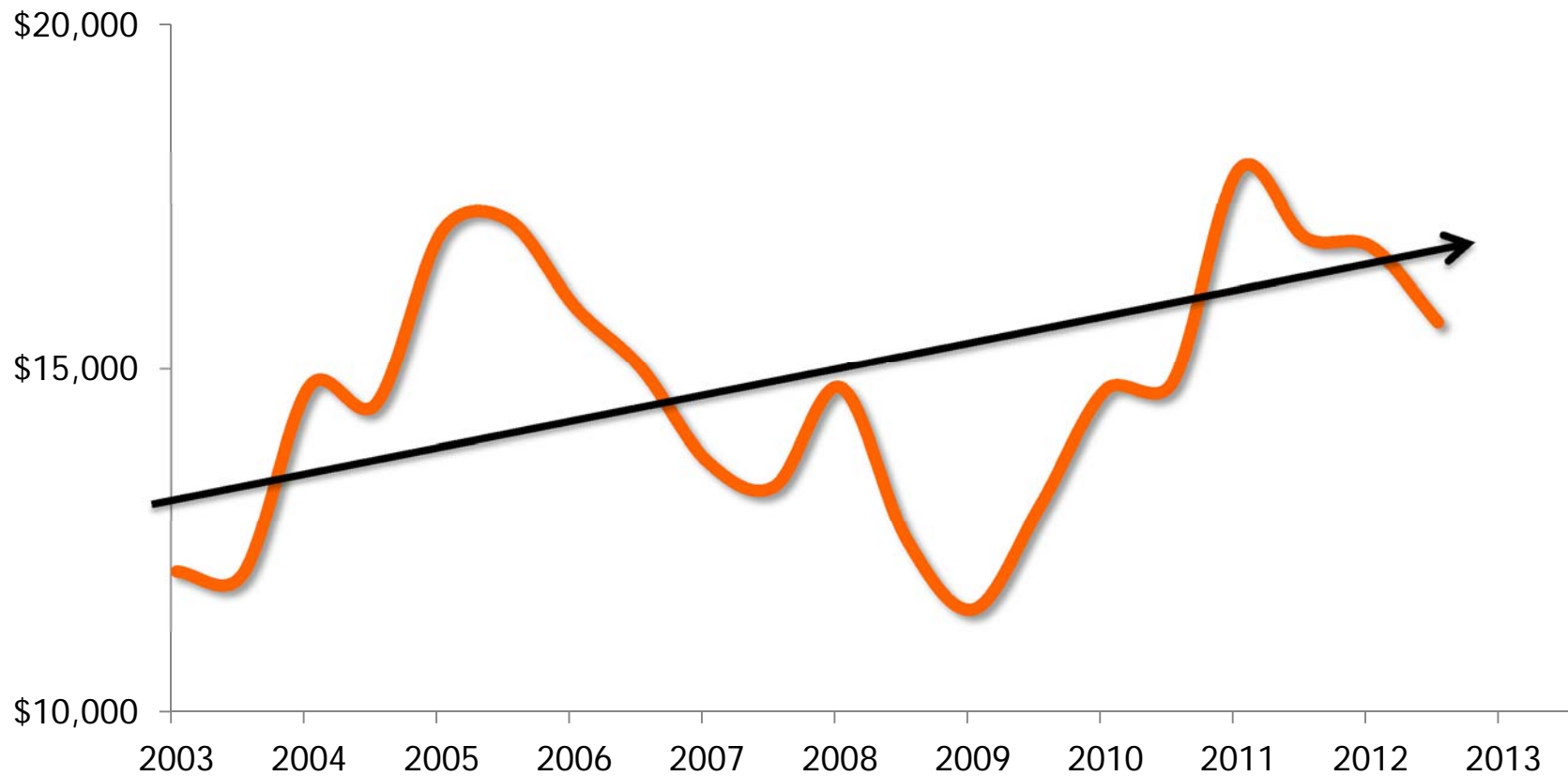


Then and Now – Economic Returns

Service Rate Inflation

"Labor inflation has been significant too. Services cost more whether we do it the old way or the new way."

Avg Peyto Drilling Dayrate
(excluding TDS)



Then and Now – Economic Returns

“Producing it for less than we sell it”

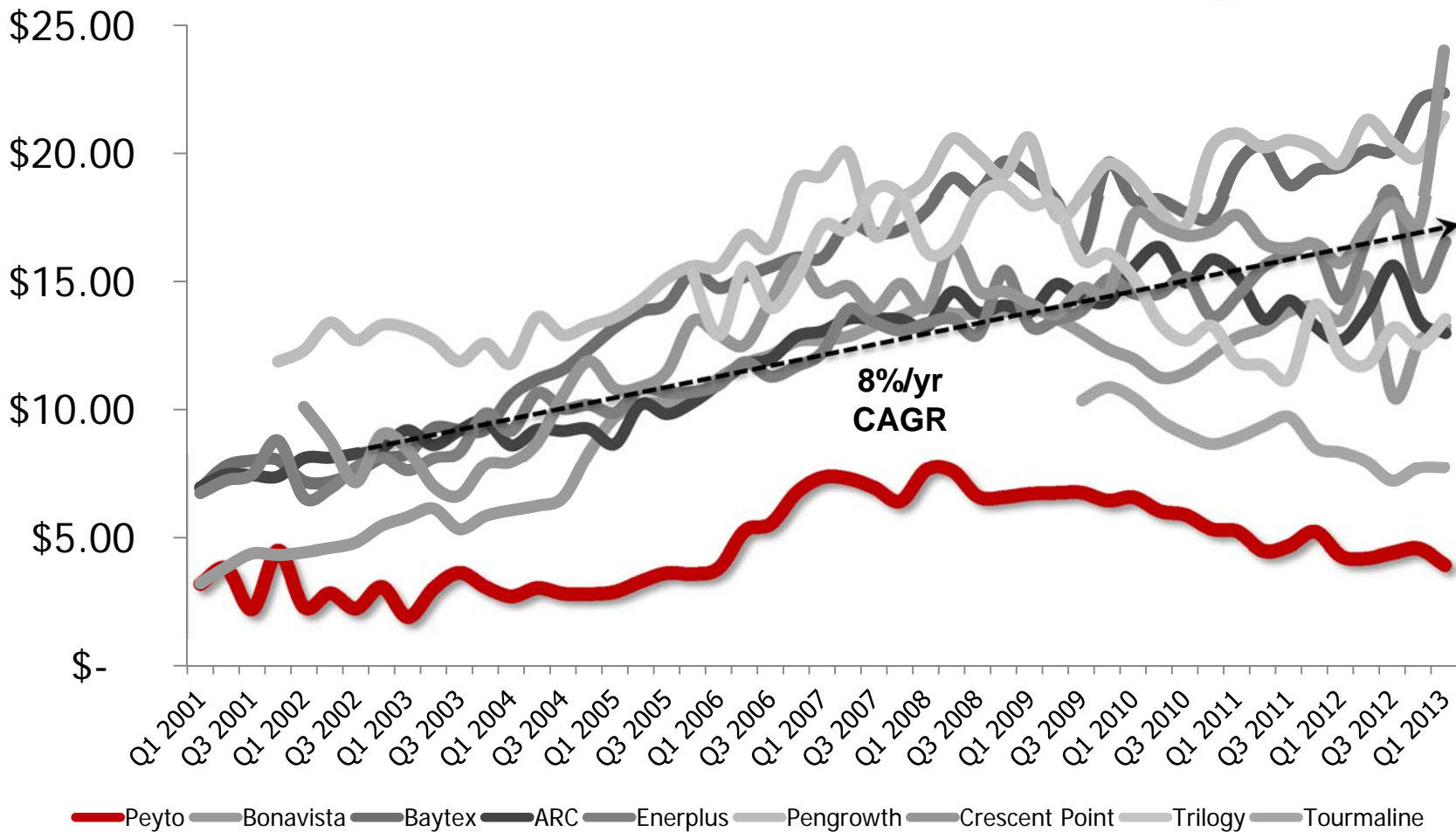
“The cost to produce it is less though. Cash costs are down due to lower royalties and holding other cash costs flat.”

	<u>PEY 2000 - 2002</u>	<u>PEY 2010 - 2012</u>	CAGR
PDP FD&A \$/mcfe	(\$0.88)	(\$2.15)	9%
Cash Costs \$/mcfe	<u>(\$1.92)</u>	<u>(\$1.34)</u>	(1%)
Total Costs \$/mcfe	(\$2.80)	(\$3.49)	2%
Sales Price \$/mcfe	<u>\$5.68</u>	<u>\$5.29</u>	(1%)
Profit	\$2.89	\$1.80	

Then and Now – Economic Returns

Cash Cost Inflation (not including Royalties)

"It's not easy to hold the other costs flat when our industry is seeing 8% compound annual inflation in costs. The Peyto team has done a great job!"



The New Way

Profitable Even In The Lows

"Cost control was especially important last year when prices were the lowest in Peyto's history."

PEY 2012

PDP FD&A
\$/mcfe

(\$2.22)

Cash Costs
\$/mcfe

(\$1.05)

Sales Price
\$/mcfe

\$4.21

22% Profit

\$0.94

Land	\$11MM
Seismic	\$2MM
Drilling	\$212MM
Compl.	\$127MM
Wellsite	\$46MM
Facilities	\$37MM
Acq/Disp	\$183MM
	\$618MM
ΔPDP Reserves (before Prod.) 46.3 mmoes	
PDP FD&A	\$13.34/boe
	\$2.22/mcfe

Royalties	(\$0.31)
Opex	(\$0.32)
Transport	(\$0.12)
G&A	(\$0.04)
Interest	(\$0.26)
Total Costs	(\$1.05/mcfe)

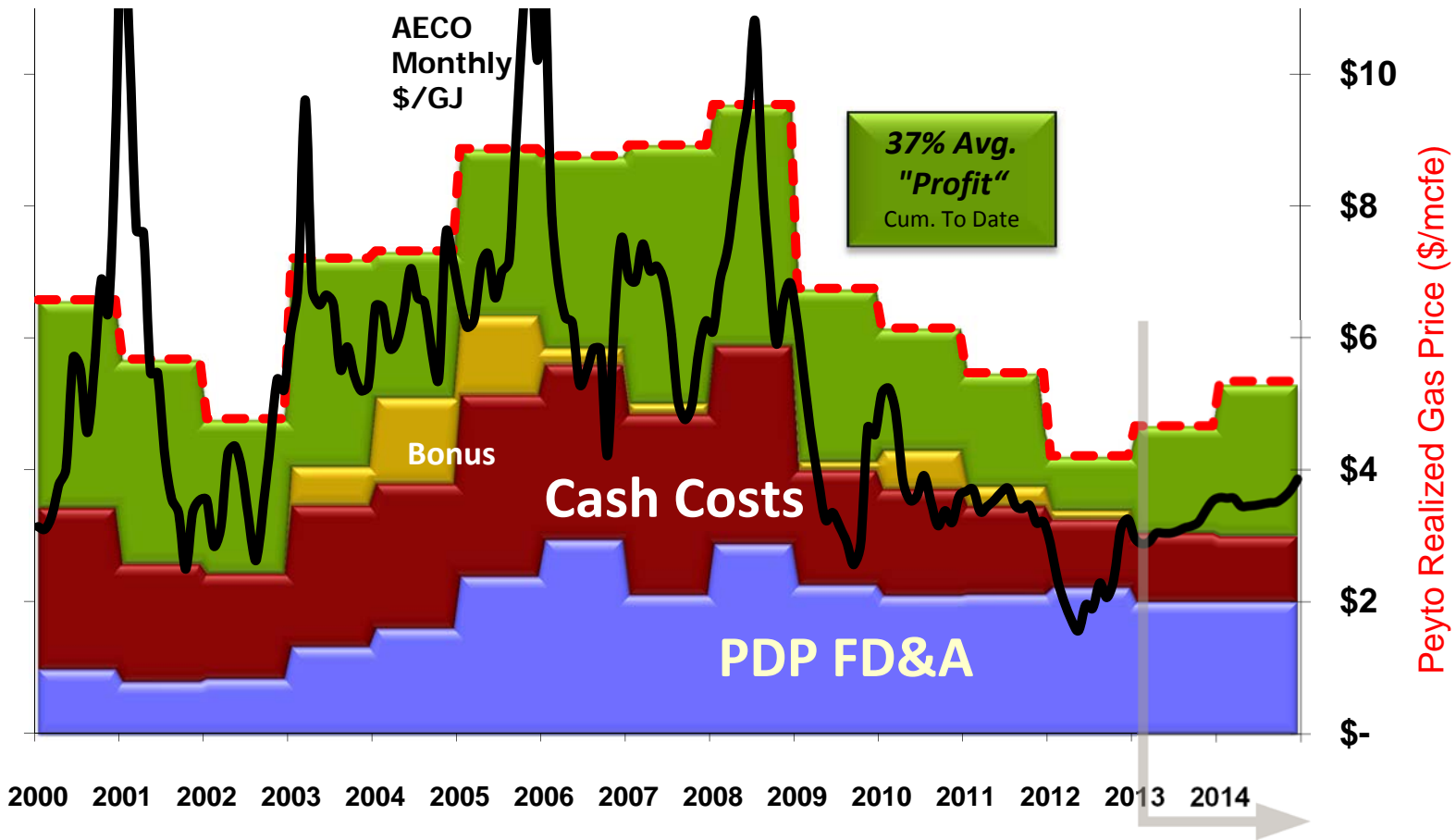
\$2.30/GJ
X 160%*
\$3.66/mcfe
\$0.55/mcfe hedging
\$4.21/mcfe

BOE factor - 6 mcfe = 1 bbl of oil equivalent
 * 2012 uplift for NGLs and heat content from average Alberta daily natural gas price (\$/GJ)

Then and Now – Economic Returns

Profitable Throughout The Cycle

"Controlling those cost pieces so that we always generate a profit was always the Peyto strategy for success."



Total Cash Costs per mcf includes – Royalties, Op Costs, G&A, and Interest
 PDP FD&A – Proved Developed Producing Finding Development & Acquisition Costs

Forecast with
 AECO Strip
 Prices and
 Historical Costs

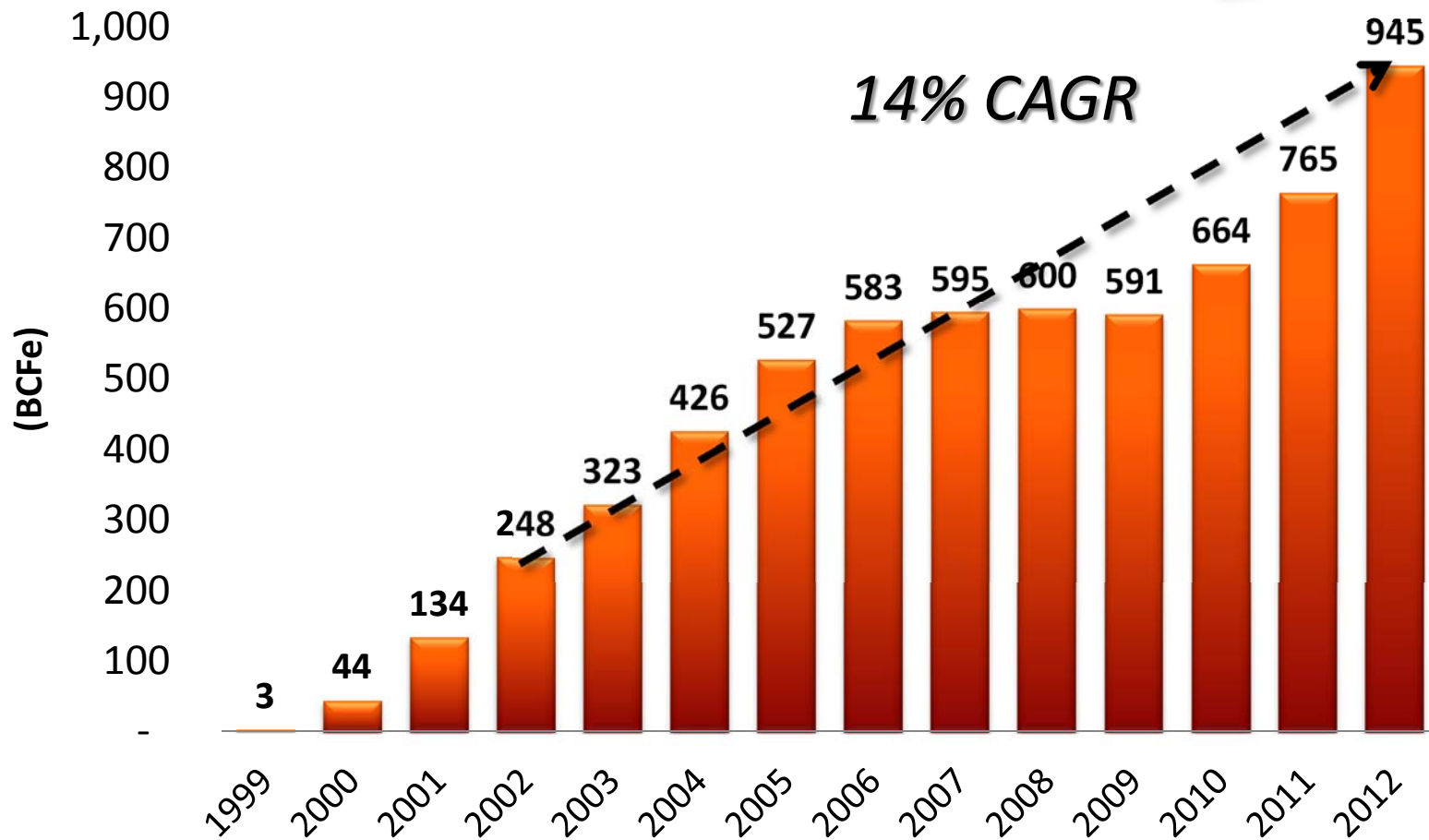
Then and Now - Corporately



Then and Now – Corporately

PDP Reserves Growth

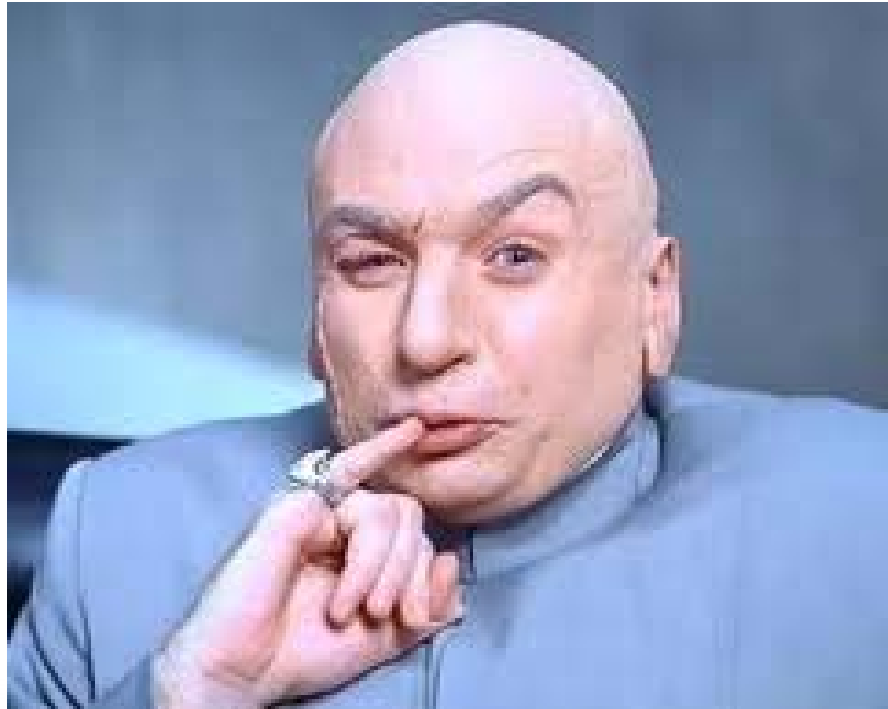
"Producing reserves have grown significantly over the last decade, basically by re-investing our cashflow."



Then and Now – Corporately

Long Life Producing Reserve Base

"Peyto is now the 10th largest producer, by PDP reserves, of the Canadian non-integrated E&Ps."



1 TRILLION CUBIC FT

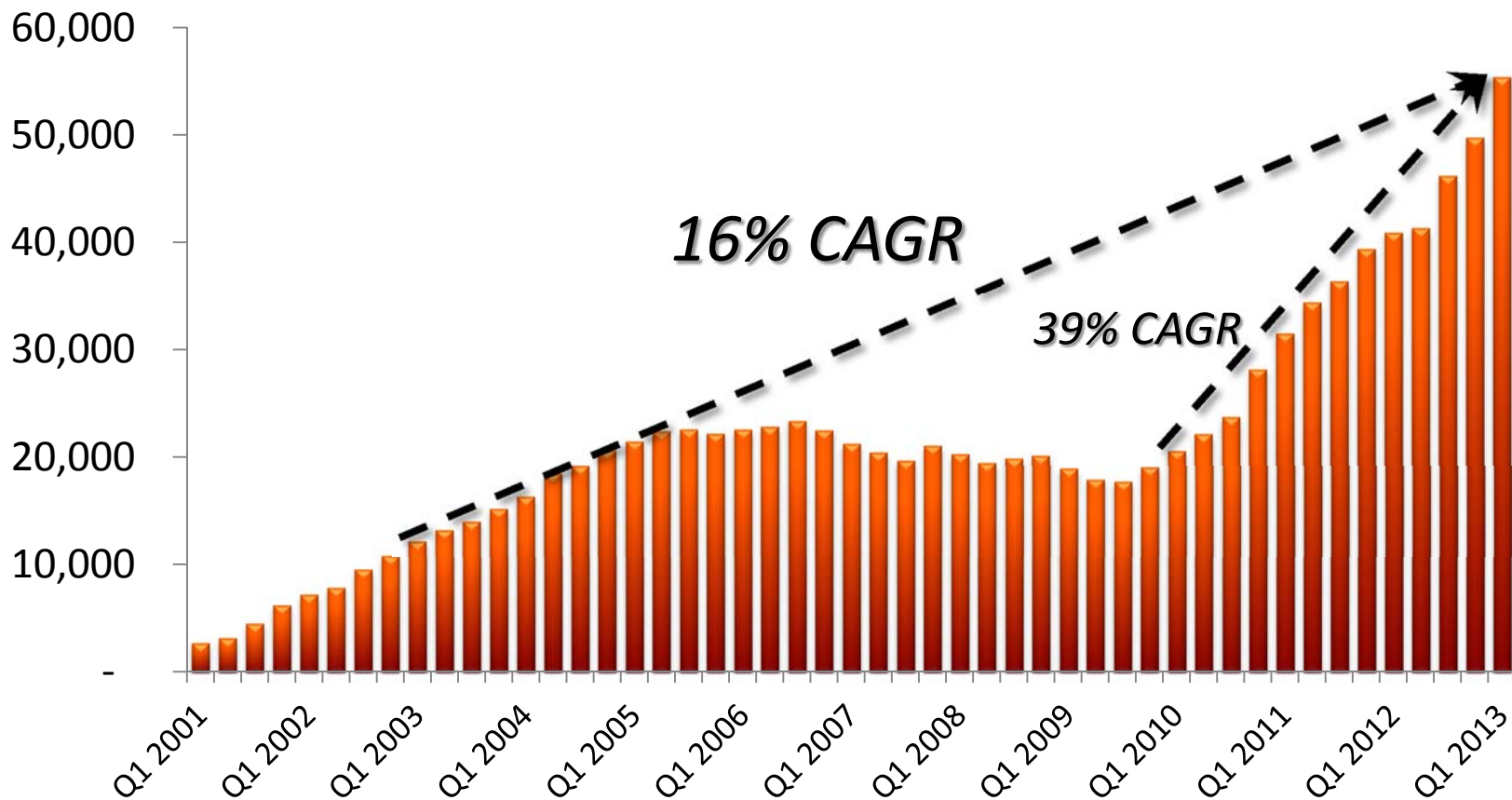
(TCFe) of Proved Producing Reserves

TCFe – Trillion cubic feet equivalent

Then and Now – Corporately

Production Growth (Boe/d)

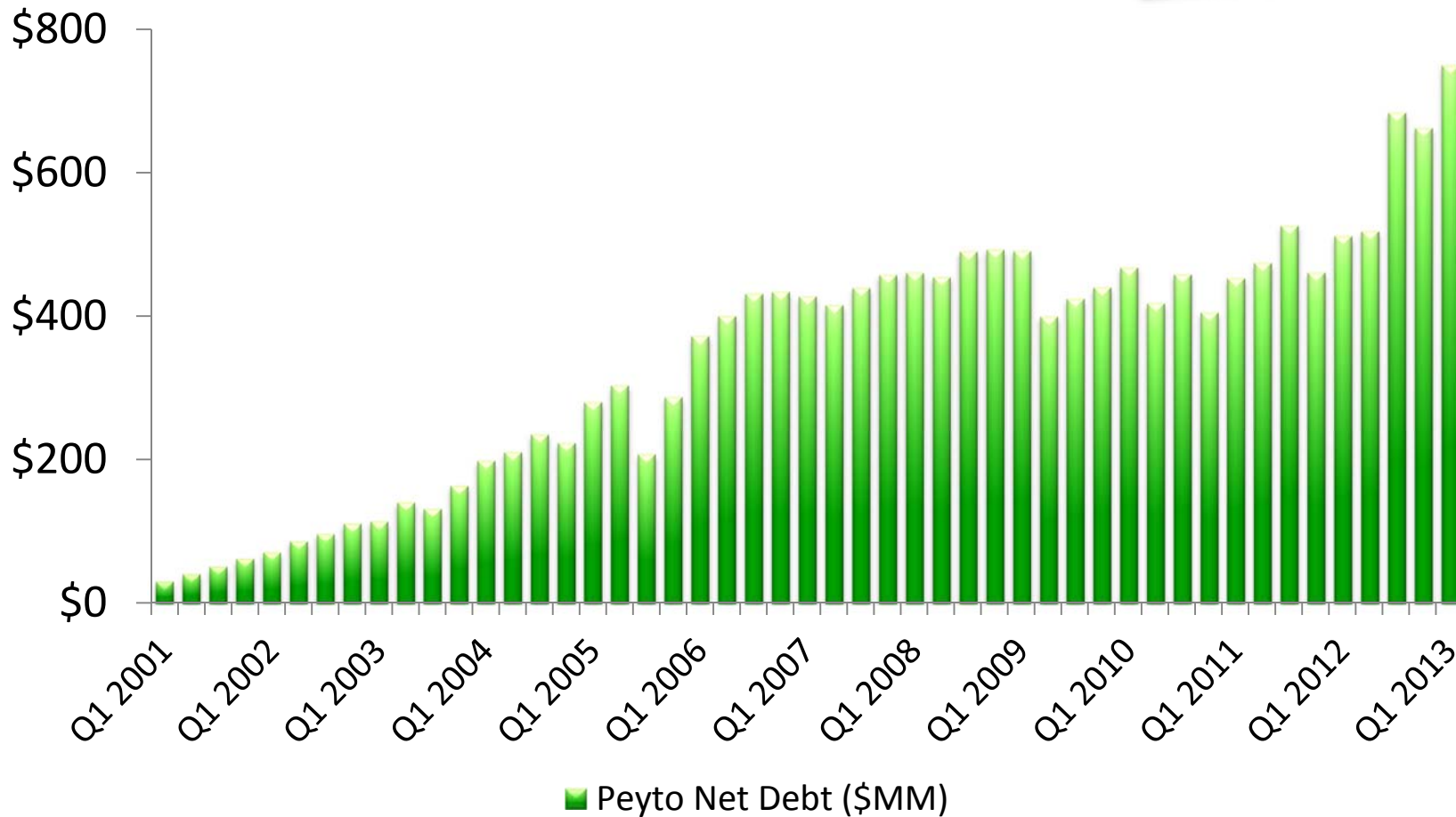
"Production has grown as well, although more rapidly recently with the new hztl wells."



Then and Now – Corporately

Net Debt (\$MM)

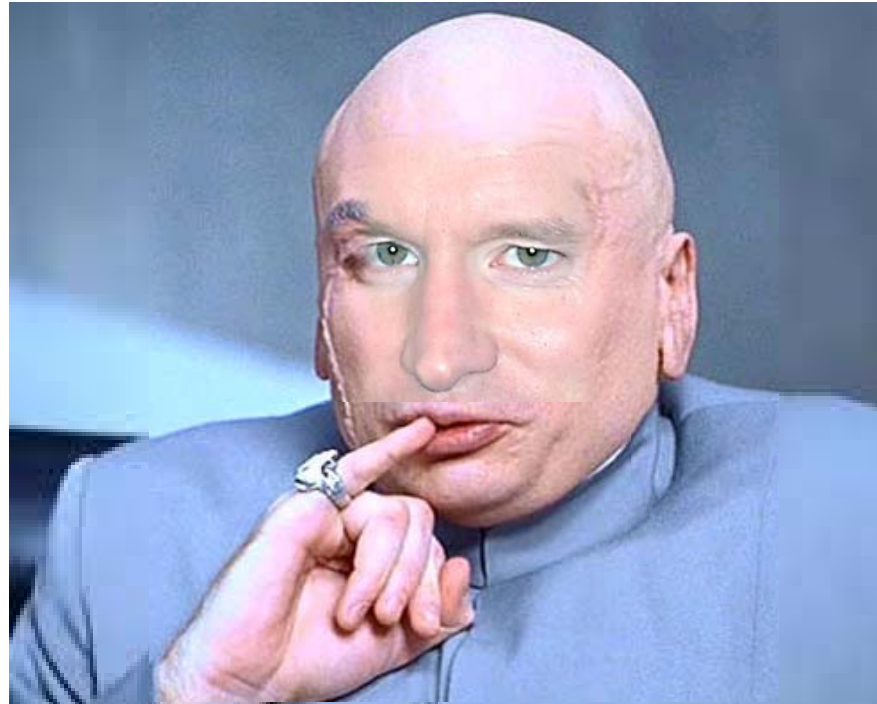
"We have used a bit of debt to accelerate our growth as well."



Then and Now – Corporately

Increased Access To Capital

"Dr. Geevil says we are basically an investment grade rated company now. Quite the change from a grass roots junior of a decade ago."



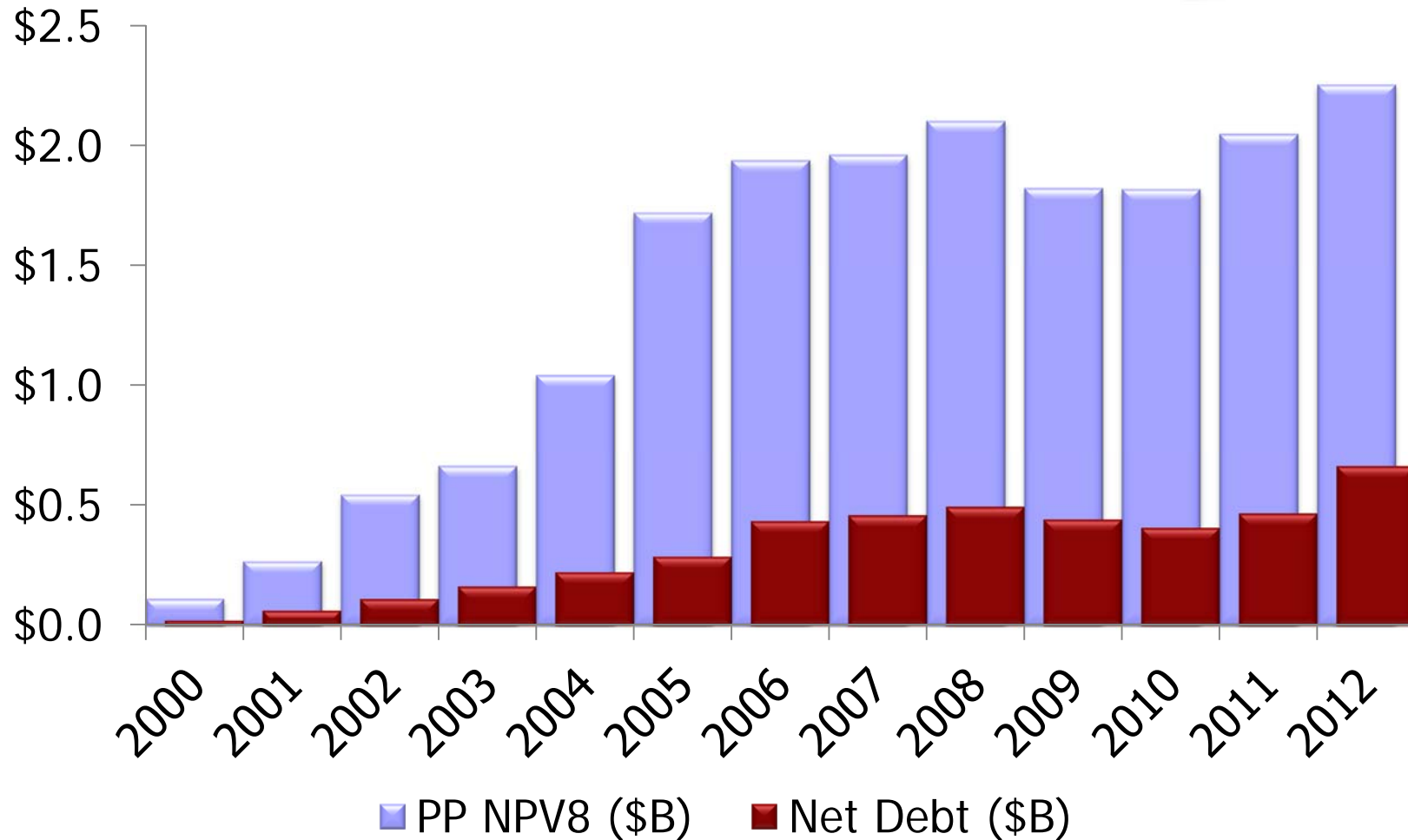
1 BILLION DOLLARS

of revolving, unsecured bank facility

Then and Now – Corporately

Consistent Leverage

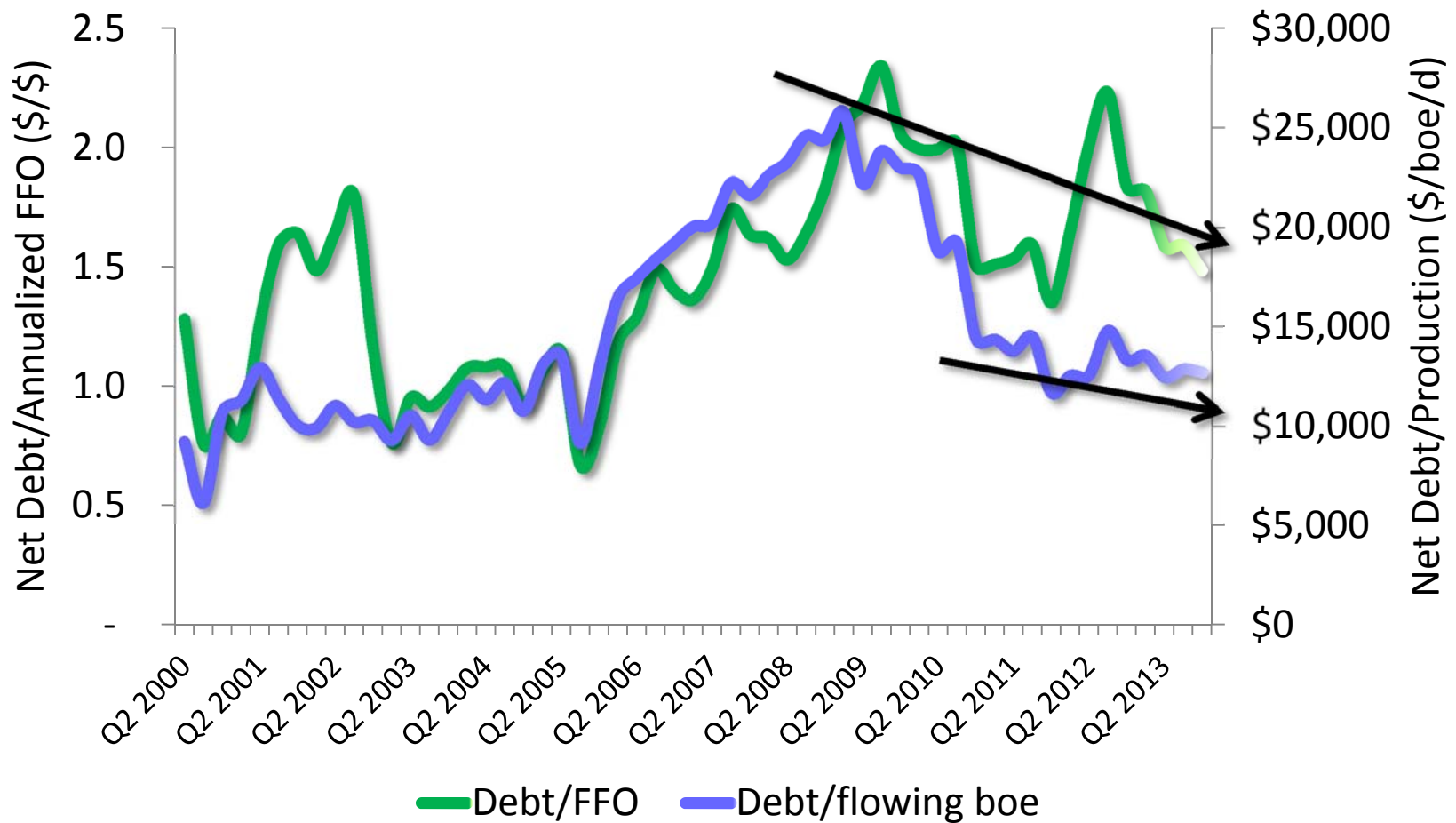
"We've only levered our asset base a small amount. Basically 1/4 to 1/3 of the value of the PDP NPV8."



Then and Now – Corporately

Improving Balance Sheet

"Growing FFO and production this year are expected to improve the ratios that improve the balance sheet!"



Now and To Come



2013 Outlook

Biggest Year Ever

"For 2013, we have planned the largest capital program in the company's history. All organic investments in drilling, completions, pipelines, facilities, lands, seismic."

\$500M

2013 Capital Program

- ✓ **Drill 100+**
(100% Hz Wells, Liquids Rich Natural Gas)
- ✓ **Expand & Extract**
Increase Processing Capacity & NGL Yield
- ✓ **Increase**
Undeveloped Land Base
- ✓ **Shoot**
Seismic
- ✓ **Acquire**
Additional Opportunities and Partner Interests

2013 Outlook

Same Stuff

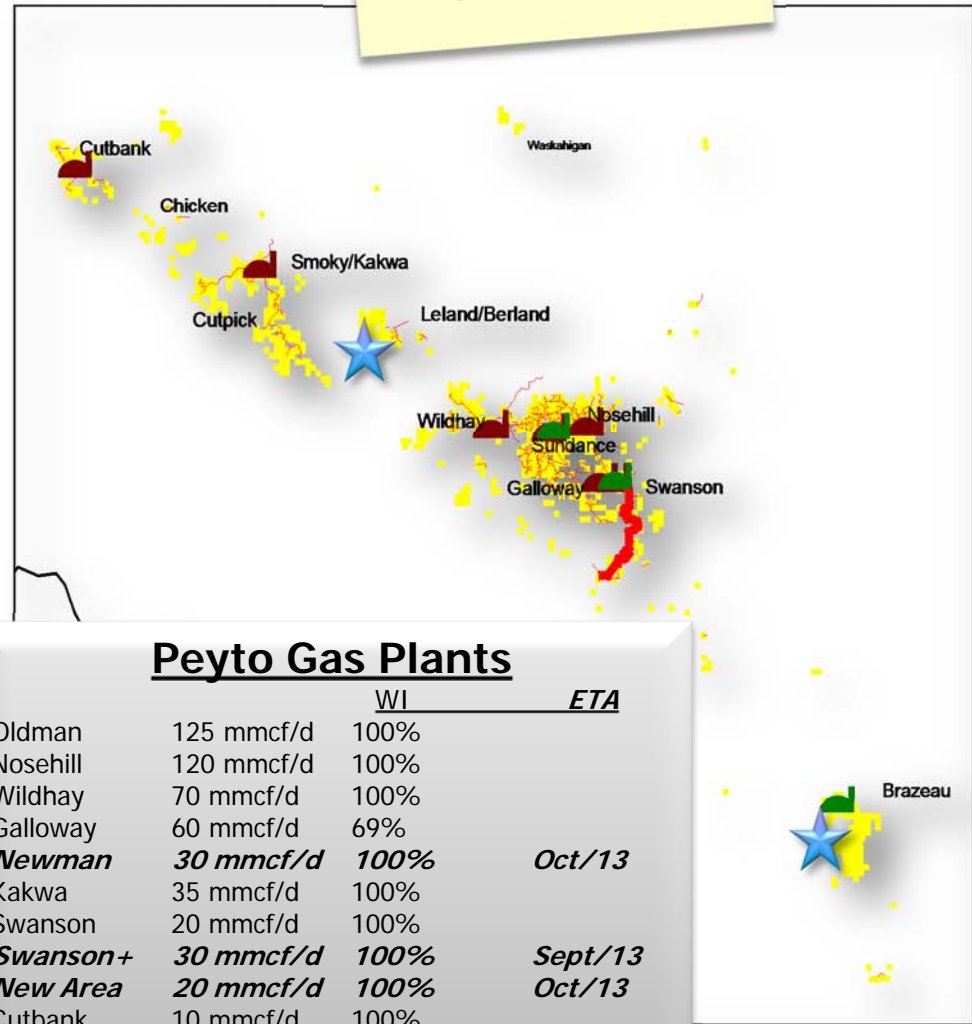
"2013 will be a balanced program, similar to 2012, with 8-10 rigs spread across our lands and targeting the various zones, plus a couple new areas."

100+ wells

Cardium Hz	20%
Notikewin Hz	} 70%
U. Falher Hz	
M. Falher Hz	
Wilrich Hz	
Bluesky Hz	7%
Cadomin Hz	<u>3%</u>
	100%

\$500MM

Drill/Comp	72%
Equip/Tie-in	8%
Facilities	17%
Land/Seismic	3%
Acquisitions	<u>?</u>
	100%



Peyto Gas Plants

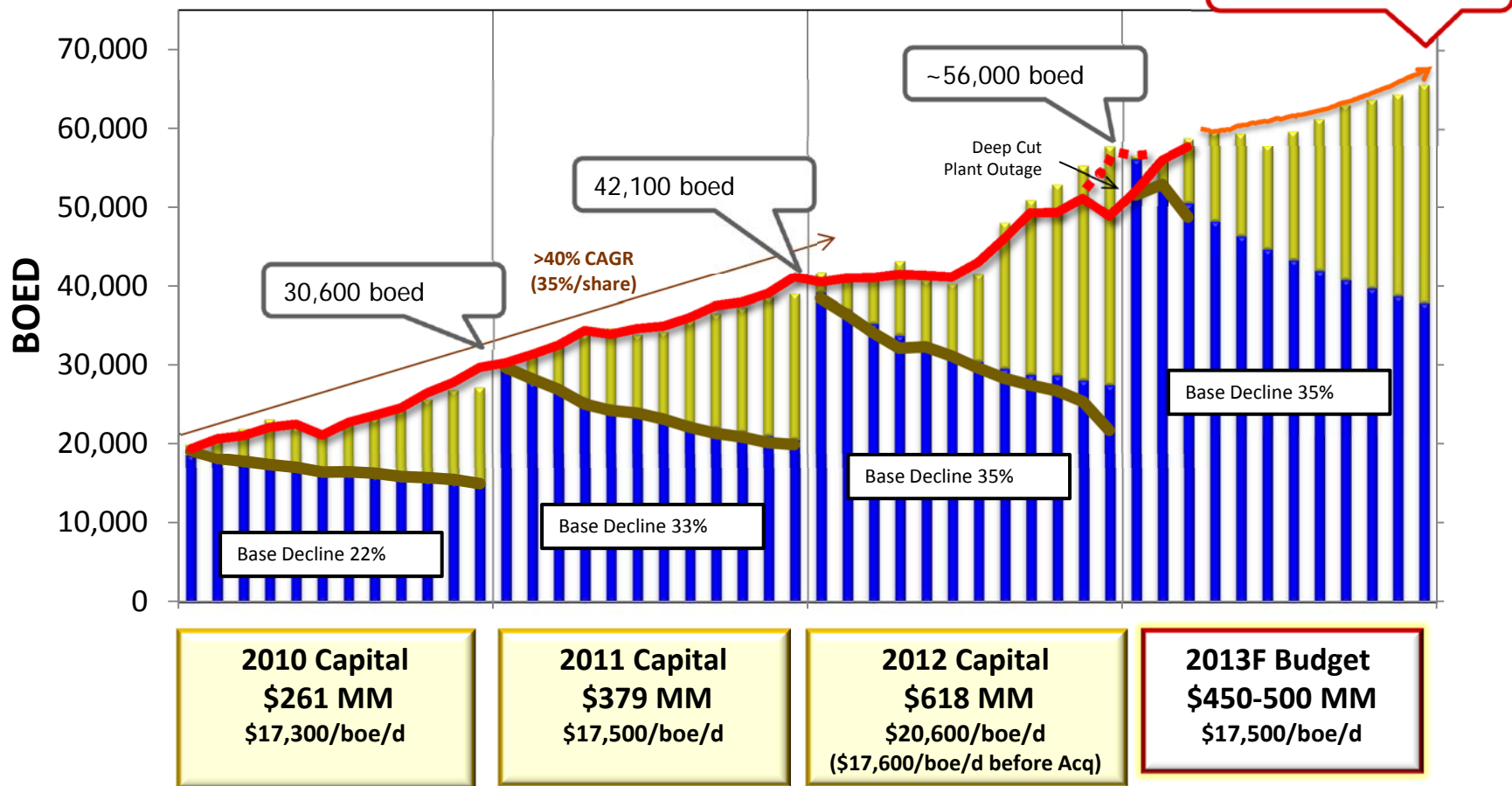
		<u>WI</u>	<u>ETA</u>
Oldman	125 mmcf/d	100%	
Nosehill	120 mmcf/d	100%	
Wildhay	70 mmcf/d	100%	
Galloway	60 mmcf/d	69%	
Newman	30 mmcf/d	100%	Oct/13
Kakwa	35 mmcf/d	100%	
Swanson	20 mmcf/d	100%	
Swanson+	30 mmcf/d	100%	Sept/13
New Area	20 mmcf/d	100%	Oct/13
Cutbank	10 mmcf/d	100%	
Total	520 mmcf/d		

2013 Outlook

Large Resource + Low Cost = Profitable Growth

"Our 2013 budget of \$500MM assumes approx. 100 gross (85 net) wells can add ~29,000 boe/d of new production at our 4yr average \$17.5k/boe/d."

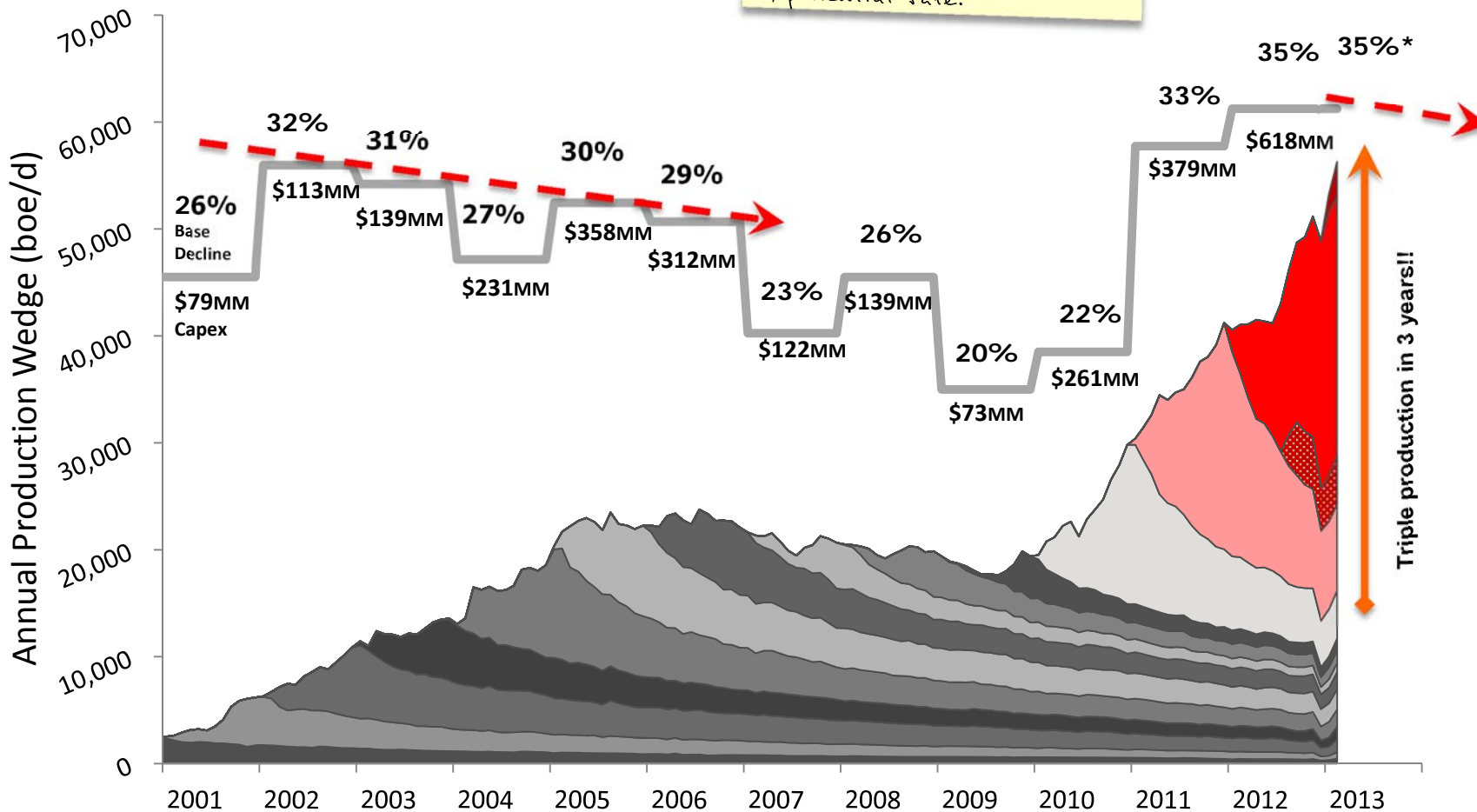
Budget vs Actual Production



2013 Outlook

It Just Gets Easier to Grow

"The base decline naturally comes down over time with this type of producing profile. It showed us this in the past and will again because the growth in our capital spending cannot practically continue at an exponential rate."



BOE factor - 6 mcf = 1 bbl of oil equivalent

*2013 Forecast decline rate based on Insite Petroleum Consultants Dec 31, 2012 Reserve Report

2013 Outlook

Continuously Improve Profitability

"At Peyto, our cost advantage comes from constantly challenging the status quo on costs. We are always working on ways to improve our profitability."

2013 Goals*

PDP FD&A
\$/mcfe

< (\$2.00)

- Pad drilling
- CNG powered rigs
- Well design improvements
- Water optimization
- Natural gas heated water
- Summer drilling

Cash Costs
\$/mcfe

< (\$1.00)

- Natural gas fired power
- CNG trucks
- Facility utilization
- Pad wellsite/automation

Sales Price
\$/mcfe

> \$5.00

- Cheap cut
- Liquids rich fms
- Hedging
- \$3.25/GJ*155%

40% Profit

> \$2.00

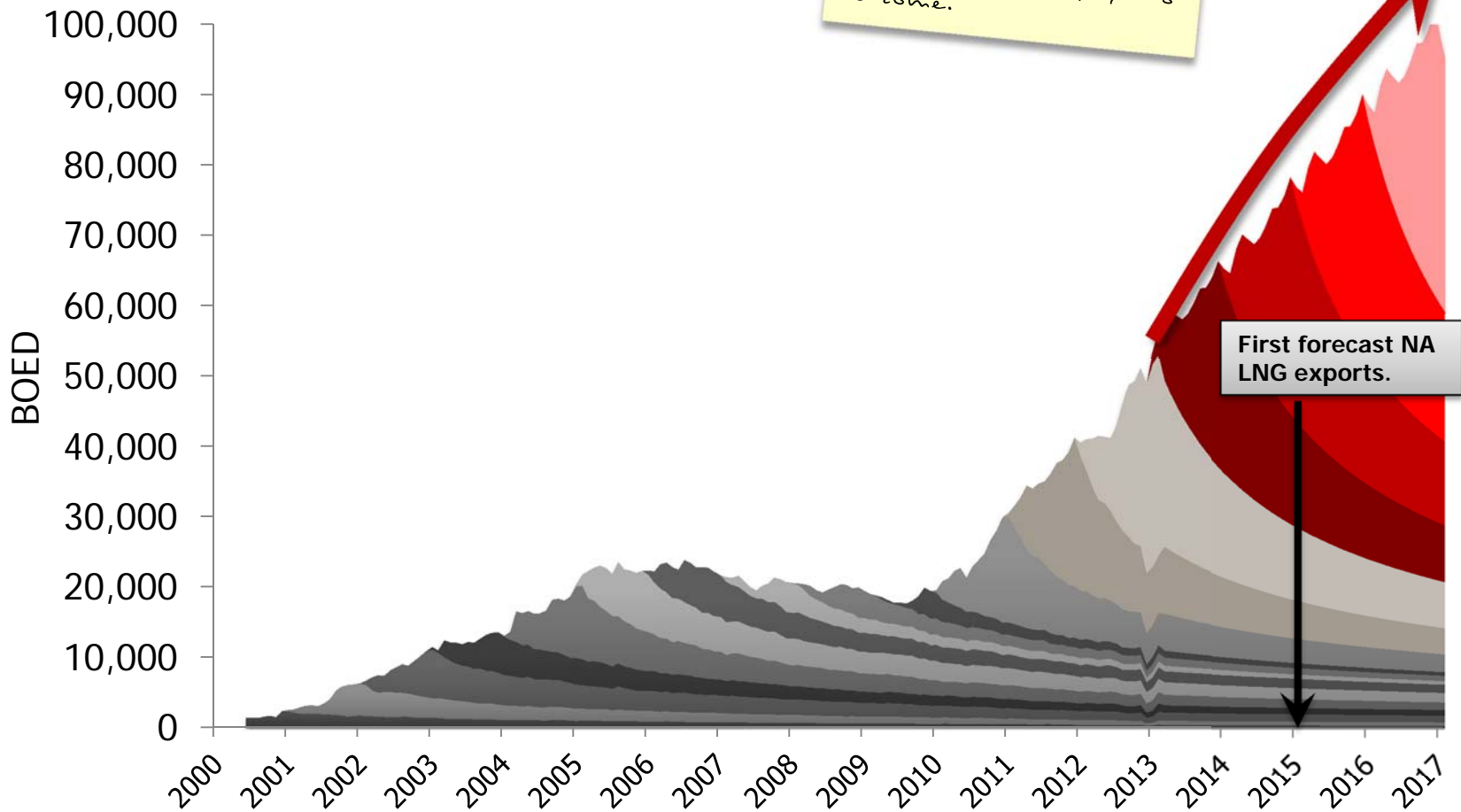
BOE factor - 6 mcfe = 1 bbl of oil equivalent

* 2013 goals are not budgeted expectations

Future Outlook

Organic Growth Potential

"While the real future is unknowable, Peyto's inventory of future opportunities and funding capabilities suggest organic growth can continue for many years to come."



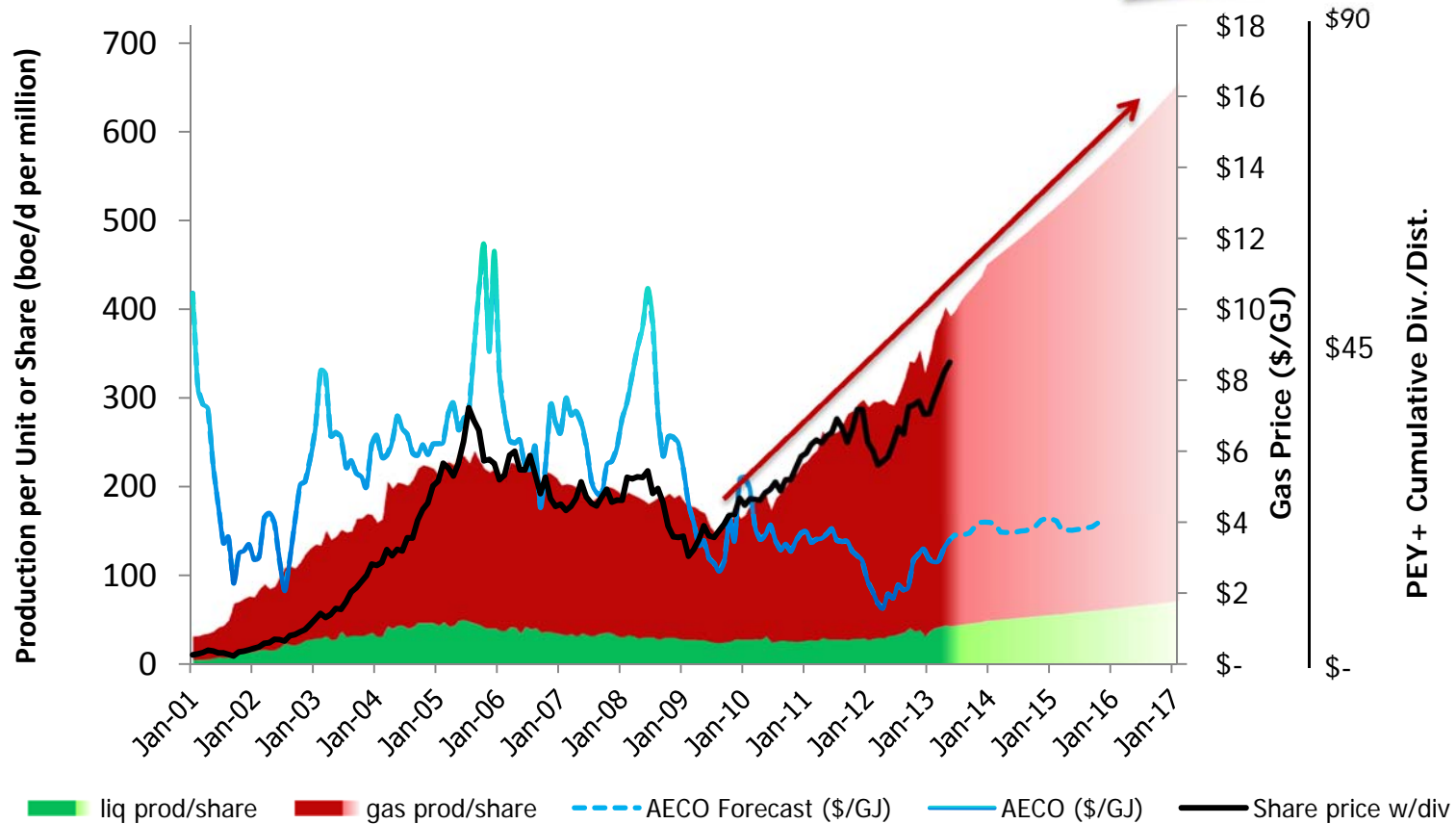
Future production numbers are not a forecast, simply for illustrative purposes only

BOE factor - 6 mcf = 1 bbl of oil equivalent

Future Outlook

Organic Growth Potential

"It's fun to speculate what the future might hold assuming a stable price environment. Potential growth in production, earnings and dividends are all possible."



Historical Per Unit (share) and Units (shares) Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split
 Future production per share numbers are not a forecast, simply for illustrative purposes only

BOE factor - 6 mcf = 1 bbl of oil equivalent

Thank You For Joining Us Today

Pray For Sunshine

