

NEWS RELEASE

PEYTO EXPLORATION & DEVELOPMENT CORP. ANNOUNCES COMPLETION OF CONVERSION OF PEYTO ENERGY TRUST

CALGARY, ALBERTA, January 4, 2011 – Peyto Exploration & Development Corp. ("**Peyto**") is pleased to announce the successful completion of Peyto Energy Trust's (the "**Trust**") previously announced plan of arrangement (the "**Arrangement**") pursuant to which the Trust has been converted into an exploration and development company operating under the name "Peyto Exploration & Development Corp.".

Pursuant to the Arrangement, previous holders ("**Unitholders**") of trust units of the Trust ("**Trust Units**") received an equal number of common shares ("**Common Shares**") of Peyto. Letters of Transmittal have been forwarded to Unitholders to be utilized in order to exchange their Trust Units for Common Shares.

After giving effect to the Arrangement, Peyto has approximately 131.88 million Common Shares issued and outstanding.

Within 2 to 3 business days of the Toronto Stock Exchange (the "**TSX**") confirming receipt of all necessary documents in connection with the closing of the Arrangement and related matters, the Trust Units will be delisted from the TSX. Concurrent with the delisting of the Trust Units, the Common Shares will be listed on the TSX under the symbol "PEY", which listing is anticipated to commence on or about January 7, 2011.

For more information, contact:

Darren Gee
President & CEO
Phone: (403) 237-8911
Fax: (403) 451-4100

Forward Looking Statements: *Certain information set forth in this news release, including the expected timing for the listing of the Common Shares on the TSX may contain forward-looking statements, and necessarily involve risks and uncertainties, certain of which are beyond Peyto's control. Actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur, or if any of them do so. Additional information on these and other factors that could affect Peyto are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). Furthermore, the forward-looking statements contained in this news release are made as of the date of this news release, and Peyto does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable securities law.*