PEYTO Energy Trust

President's Monthly Report

March 2007 — From the desk of Darren Gee, President & CEO

Well, there you have it. Our 2006 independent reserve evaluation is now behind us and it once again confirms that our business continues to perform. Our 2006 capital program has built incremental tight gas assets that are worth far more than the capital we used to build them. We will continue to strive to improve our efficiencies to make 2007 an even better year. We believe the current environment is setting up for just that.

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). Our year end reserves evaluation process has afforded us an opportunity to gather and measure all of our future drilling ideas. We are again fortunate to have an abundance of locations to choose from in this time of restrained spending.

Capital Investment

2006/2007 Capital Summary (millions$ CND)*

	Oct	Nov	Dec	Q4	2006	Jan	Feb	Mar	Q1
Land & Seismic	0	0	0	1	22	0			0
Drilling	7	4	3	15	140	5			5
Completions	4	3	2	8	87	3			3
Tie ins	2	0	1	4	36	2			2
Facilities	1	0	1	1	26	0			0
Other	0	0	0	0	0	0			0
Total	**14**	**8**	**7**	**29**	**312**	**9.7**	**-**	**-**	**10**

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.

Production

2006/2007 Production ('000 boe/d)*

	Oct	Nov	Dec	Q4	2006	Jan	Feb	Mar	Q1 2007
Sundance	18.5	17.8	17.4	17.9	18.0	16.9	17.1		17.0
Kakwa	2.3	2.3	2.4	2.3	2.8	2.4	2.1		2.2
Other	2.1	2.4	2.5	2.3	2.0	2.4	2.3		2.3
Total	**22.9**	**22.5**	**22.2**	**22.5**	**22.8**	**21.7**	**21.5**	**-**	**21.6**

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Performance Parameter Pitfalls

With all the annual reserve evaluations being released, it is inevitable that comparisons will be drawn to see who is doing a good job in the oil patch and who isn't. Analyzing different performance metrics for different types of reserves can be difficult, especially when there are often inconsistencies in how those metrics are calculated and reported. Relying on just one or two different parameters will not necessarily give you the whole picture of how profitably capital was deployed or assets were developed. When it boils right down to it, using net present value is by far the most accurate way to incorporate different asset characteristics and their combined affect on efficiency. Variables like FD&A cost (Finding, Development and Acquisition), Recycle Ratio (Netback divided by FD&A) and Reserve Replacement Ratio (Incremental volume added divided by annual production) are all calculated based on a measure of barrels or boes (barrels of oil equivalent). Obviously different barrels have different values. For instance, a heavy oil barrel is completely different than a boe of gas. Therefore, one must be careful comparing these parameters across differing types of barrels. Here are a few of the pitfalls you can watch for.

Finding, Development and Acquisition Costs - FD&A

Since the inception of the National Instrument 51-101 in 2003, there have been standards for the disclosure of reserve information that companies must follow. With respect to FD&A costs for instance, changes in future development capital must be included to more accurately reflect the costs of those undeveloped reserves that are both proven and probable additional. In most cases, the inclusion of changes in future development capital (FDC) aligns the total FD&A cost between categories. Whereas before, one might have reported FD&A costs of $15/boe proven producing, $10/boe total proven and $5/boe proven plus probable additional, by including the changes in FDC, the costs would be more like $15/boe proven producing, $15.50/boe total proven, $14.50/boe proven plus probable additional. Large variance between categories after change in FDC is included might be cause for concern. After three years of NI 51-101 reporting requirements, discussing FD&A *without* FDC might also be cause for concern.

As mentioned above, FD&A costs are "barrel specific" in that they should only be compared when considering the quality and value of the barrels in question. Some barrels, for instance, had better be cheaper to find and develop because they garner a much lower netback.

Recycle Ratio

The recycle ratio, or the netback divided by the FD&A cost, is an indication of how efficiently a company is replacing its producing barrels. The netback is what the barrel is being sold for (less royalties and op costs) whereas the FD&A cost is what the barrel is being replaced for. This metric should only be applied to the proven producing category (that's what's being sold, so that's what should be replaced) and only if you are comparing the same quality of barrel. By using the incremental PDP category you won't have to worry if changes in FDC were included or not, because all the capital has been invested. It can also be misleading if the boe being sold is a high netback tight gas boe (for example) but the replacement barrel is a low netback heavy oil barrel being developed at low cost. You're definitely not comparing apples to apples in that case and would come up with a high recycle ratio, indicative of high efficiency, which would not be accurate.

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Reserve Life Index

Reserve life index is calculated by dividing the current remaining reserve volume by the most current production rate. In general, by using the annualized fourth quarter production rate divided into the proven developed producing reserves (PDP or PP) would give the most accurate assessment of reserve life. This eliminates any uncertainty with forecasted production rates and with remaining undeveloped reserves.

Reserve life index is not, however, a measure of the remaining producing life of the assets. For instance, Peyto's PDP reserve life is 12 years but the expected producing life of many of the wells exceeds 50 years.

Short reserve life assets tend to trade at a premium in the market whereas long reserve life assets trade at a discount. This seems counter intuitive as short reserve life assets also tend to have more uncertainty regarding their ultimate recovery whereas long reserve life assets, such as Peyto's, tend to be associated with larger accumulations.

Reserve or Production Replacement Ratio

Reserve replacement ratio is a measure of the percentage of production for the year that was replaced. For instance, in 2006 Peyto produced 8.35 million boes in the year and found and developed 17.65 million boes, so we had a reserve replacement ratio of 211%. Again, it is best to measure this parameter against the proven producing reserves increase or decrease as undeveloped reserves cannot contribute to production replacement until they are developed.

This parameter too, can be misleading if the barrels that were sold were different than the replacement barrels. Typically if the reserve replacement ratio is less than 100%, the company is shrinking.

NPV Recycle Ratio

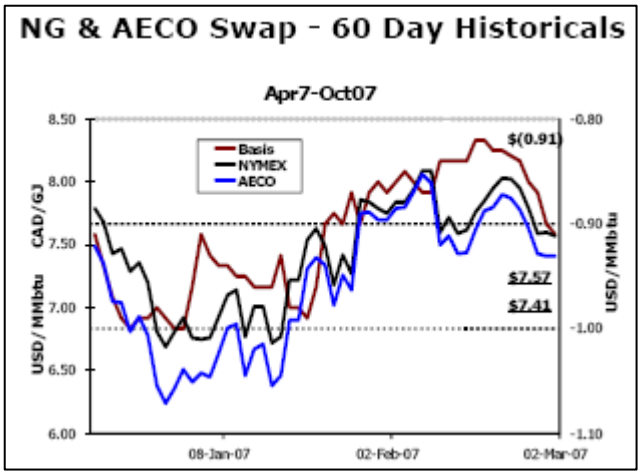
I personally, like comparing the net present value (NPV) of the found and developed or acquired assets to the capital spent as a measure of efficiency. Ultimately this takes into account the quality of the barrels developed or acquired and the amount of capital employed. It also highlights if a quality barrel is sold only to be replaced by one of inferior quality.

The NPV Recycle Ratio, as we define it, is the ratio of undiscounted proven producing NPV, created by the capital program, divided by the capital expenditure. For instance, in 2006 Peyto developed 17.65 million boes of new proven producing reserves worth $914 million with $312 million of capital expenditures. This results in an NPV recycle ratio of 2.9 times.

Discount factor

Lastly, is the effect of discounting future revenue streams to translate them back into today's dollars. Industry convention used to be to discount future cash flow at 10 to 15% because that was the level of interest rates. As interest rates and the cost of capital have fallen, so too has the discount factor that is used. At Peyto, we use a 5% discount rate which is reflective of our cost of capital and the interest rate on our borrowed money. For others, perhaps a higher discount rate is warranted if their cost of capital is higher. For instance, if a company uses a large amount of raised equity to fund its investments, and that might cost them 7 or 8%, then a higher discount factor should be used. One must be careful not to over discount future revenue streams and render them effectively worthless, since in the future, they obviously won't be.

Commodity Prices and Activity Levels



Summer natural gas prices have recently rallied to as high as $8/GJ (blue line in Figure 1 – AECO natural gas price), which has correspondingly raised next winter's pricing. Our methodical hedging approach continues to "layer in" future sales at these prices and the average price represents some of the best natural gas prices for the period we have ever seen.

Winter drilling activity appears to be coming to an early end, with all eyes on the post breakup service costs. When these costs start to lessen, we will be able to accomplish more to accelerate our opportunities.