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PRESS RELEASE

Peyto Exploration & Development Corp. Announces Closing of \$115.1 Million Equity Offering

December 16, 2011 - Peyto Exploration & Development Corp. (the "Corporation") (TSX: PEY) is pleased to announce that it has closed its previously announced offering of 4,899,000 common shares on a bought deal basis (including 639,000 common shares issued pursuant to the exercise in full of the over-allotment option granted to the underwriters) at a price of \$23.50 per common share, for total gross proceeds of approximately \$115.1 million. The syndicate of underwriters was led by BMO Capital Markets and included CIBC, RBC Capital Markets, Peters & Co. Limited, Scotia Capital Inc., Stifel Nicolaus Canada Inc., FirstEnergy Capital Corp., TD Securities Inc., HSBC Securities (Canada) Inc. and Haywood Securities Inc.

Net proceeds from the offering will initially be used to partially repay outstanding bank debt, thereby freeing up borrowing capacity which may be used to fund a portion of the Corporation's ongoing capital program and for general purposes.

The securities offered have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or applicable exemption from the registration requirements. This news release does not constitute an offer to sell or the solicitation of any offer to buy nor will there be any sale of these securities in any province, state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such province, state or jurisdiction.

This press release contains forward-looking statements including statements concerning the anticipated use of the net proceeds of the offering. The intended use of the net proceeds of the offering might change if the board of directors determines that it would be in the best interests of the Corporation to deploy the proceeds for some other purpose. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Corporation's control. Accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by applicable securities laws.

For more information, contact:

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