

# PEYTO ENERGY TRUST

*BMO 2009 North American Unconventional Gas Conference*

*TSX: PEY.UN*

*January 2009  
www.Peyto.com*

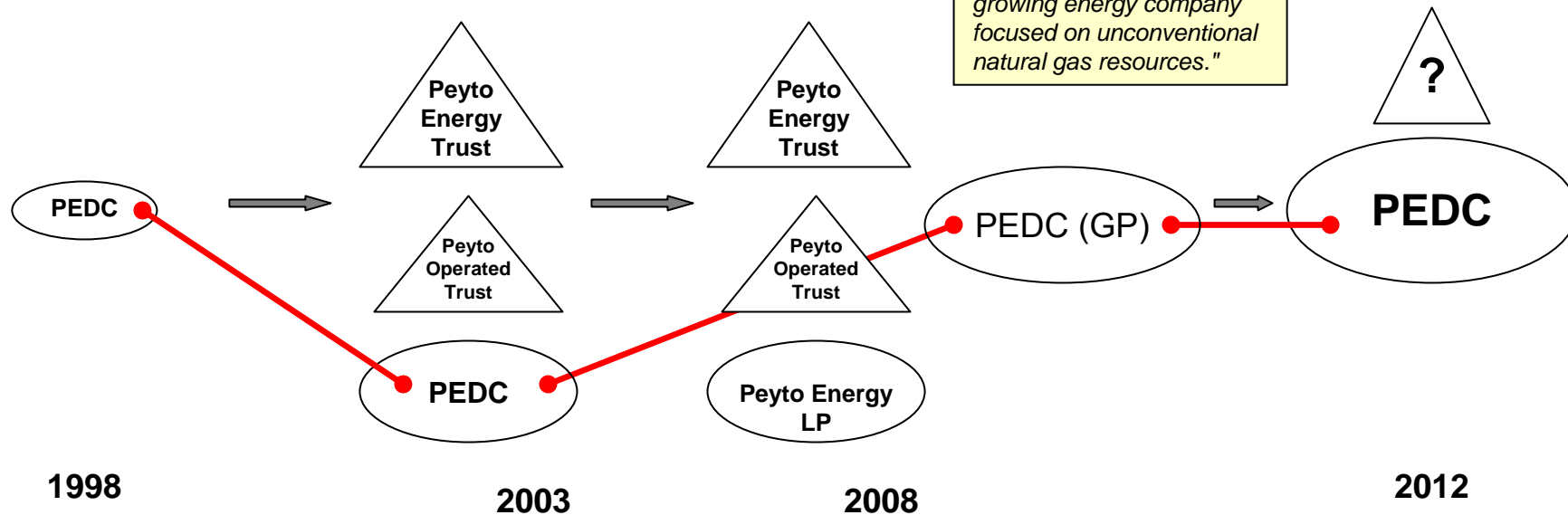
*Distribution: \$0.15/month*

# 2011

## What is Peyto going to be?



*"Peyto will be what it has always been, a profitable, growing energy company focused on unconventional natural gas resources."*

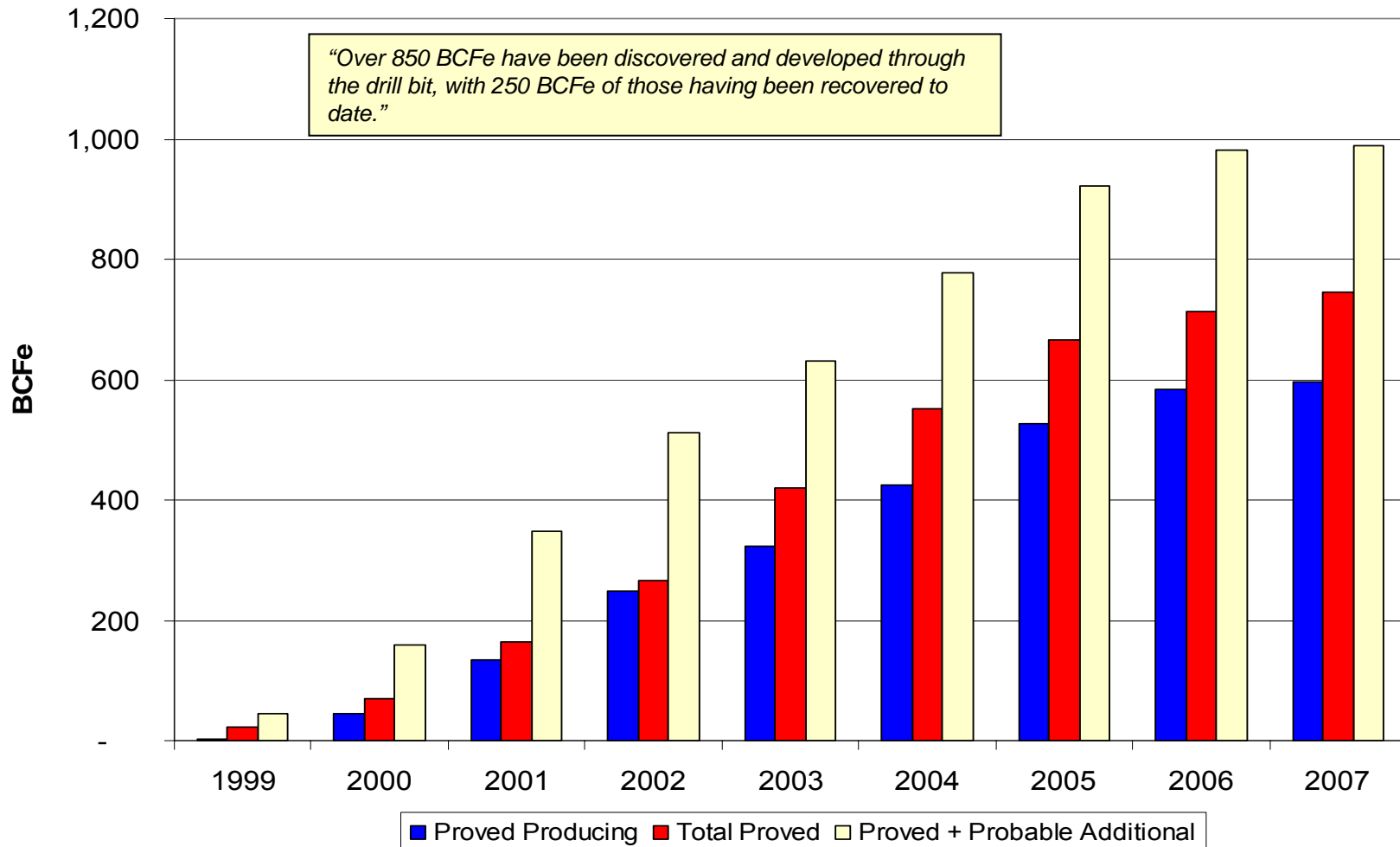


### Peyto Exploration and Development Corp. (PEDC)

- **An Exploration Company**
  - Explore for and develop new natural gas reserves
- **A Production Company**
  - Efficiently operate and produce the reserves we find

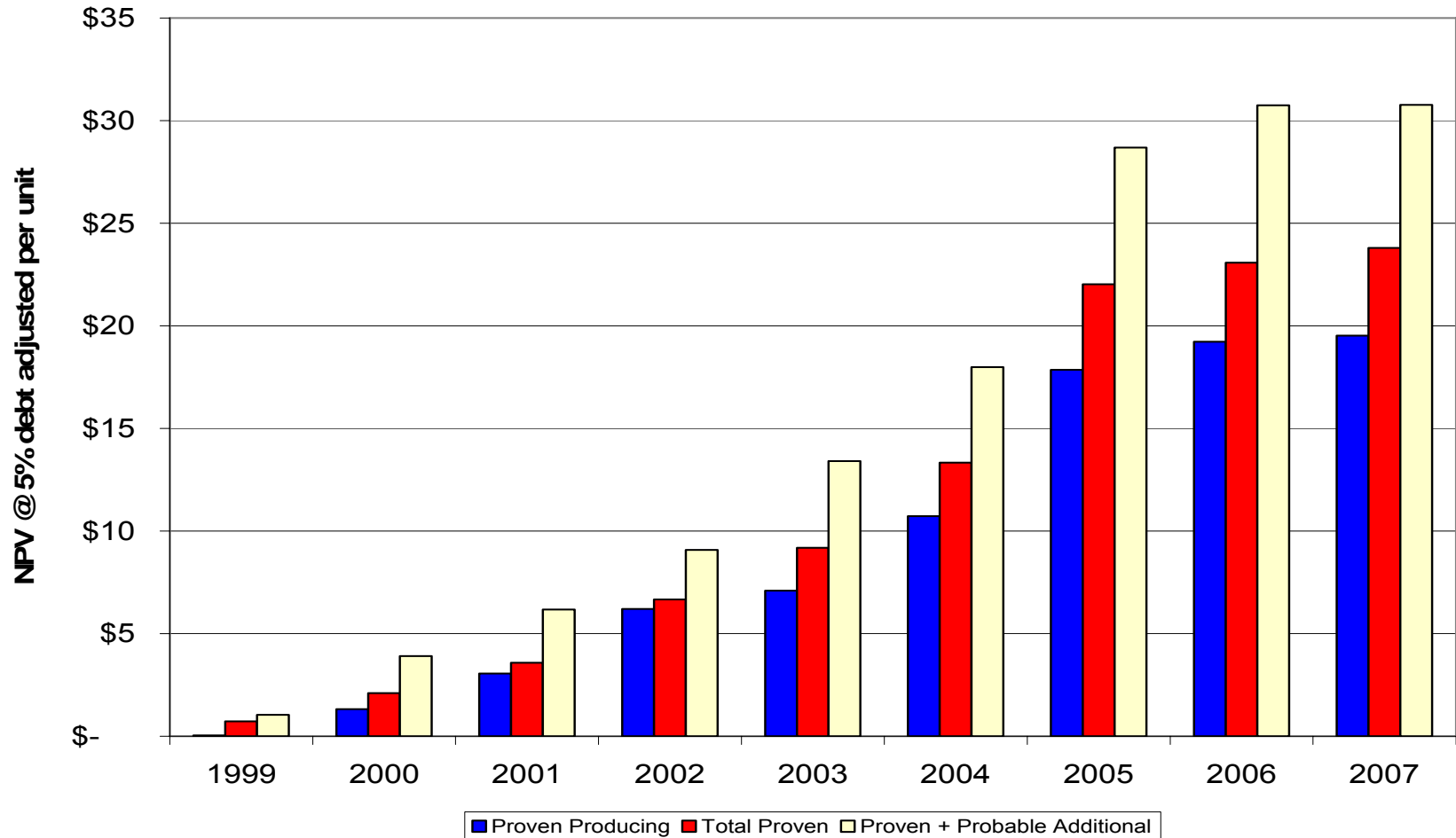
# A Growing Company

## Reserves Growth



# A Growing Company

## Net Asset Value Growth

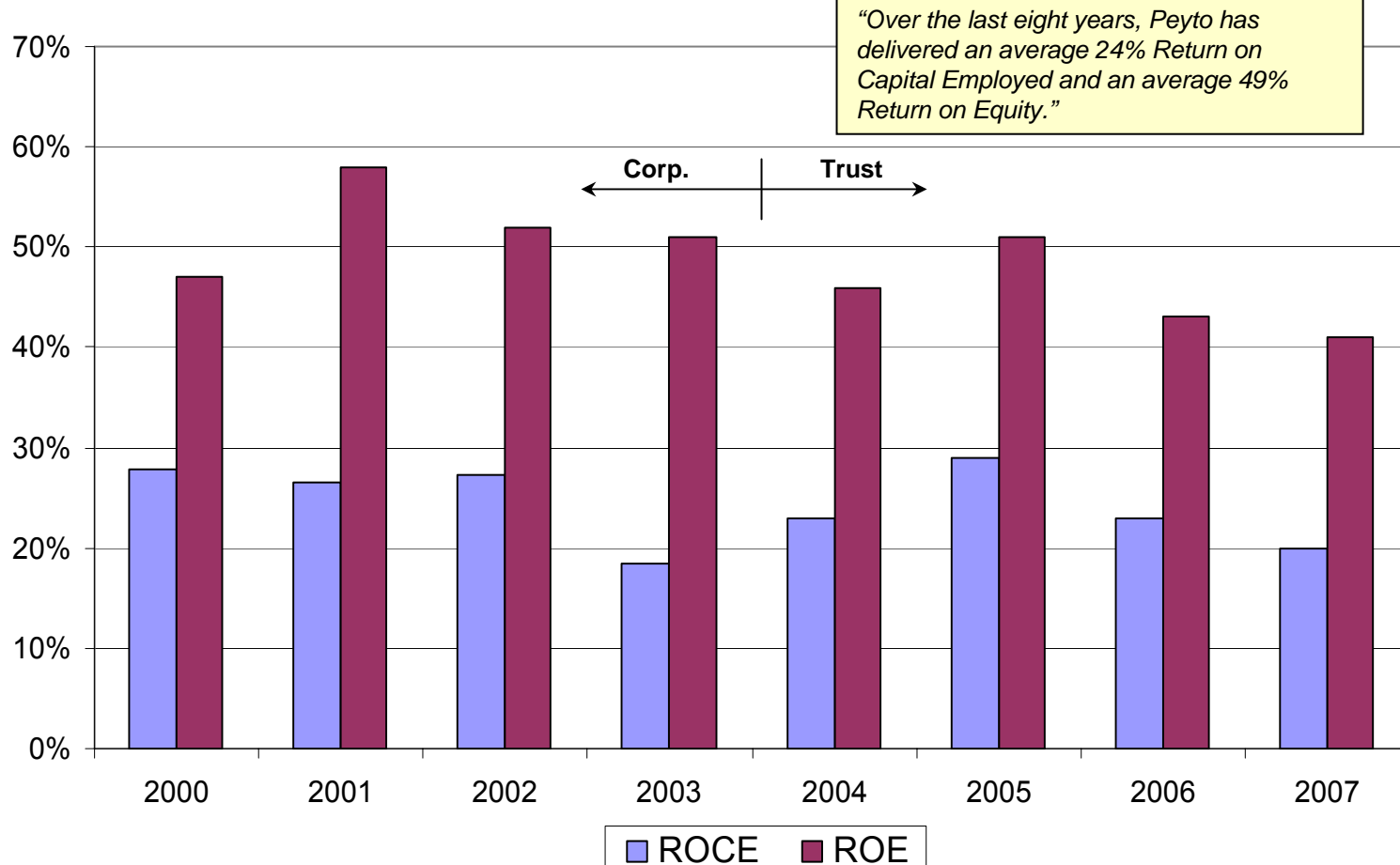


Historical Per Unit and Units Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split

BOE factor - 6 mcf = 1 bbl of oil equivalent

# A Profitable Company

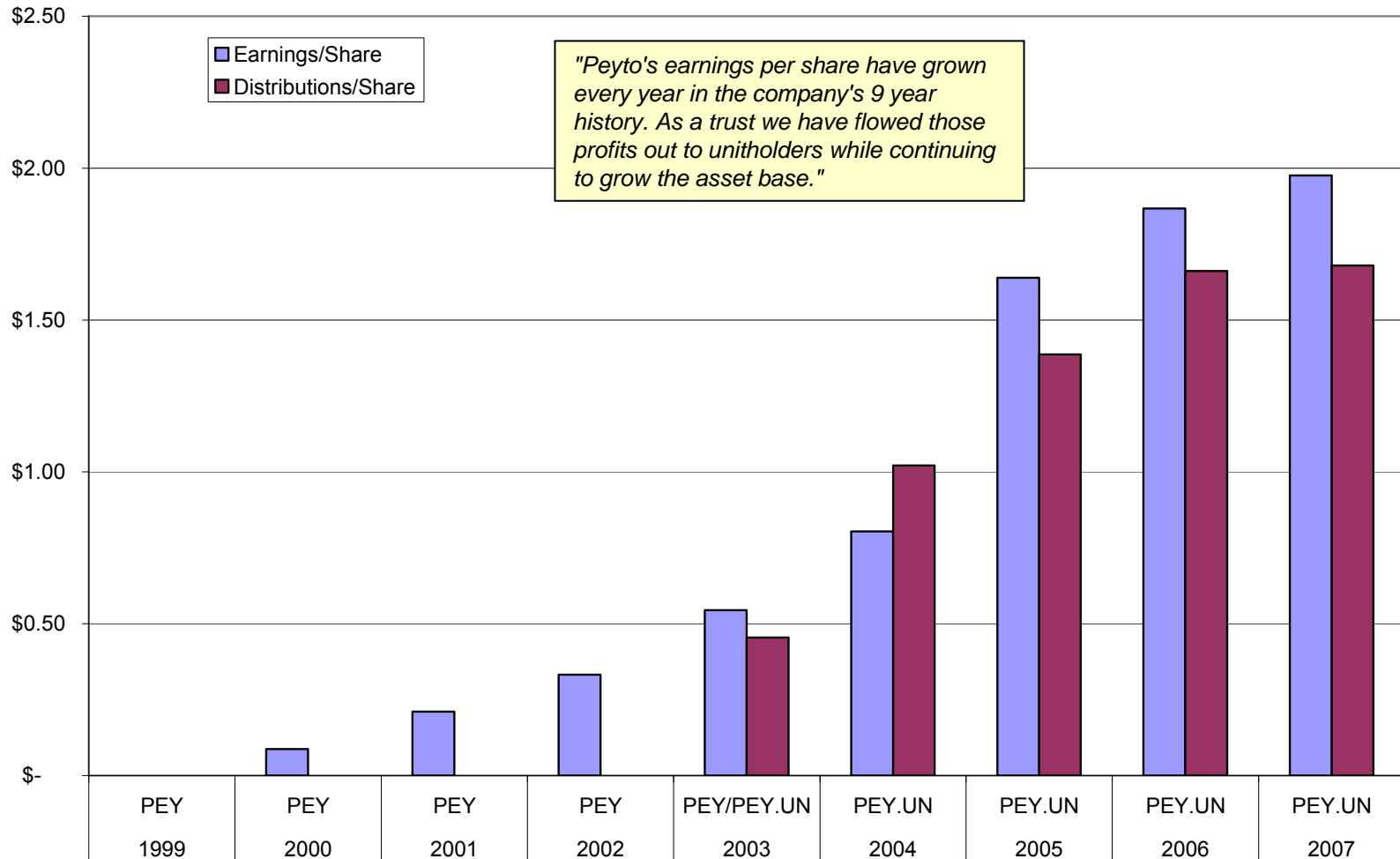
## Strong Returns on Capital and Equity



Return on Equity (ROE) is earnings for the period divided by average unitholders equity  
Return on Capital Employed (ROCE) is earnings before interest and tax for the period divided by total assets less current liabilities

# A Profitable Company

## Profits and Distributions History



# Peyto Exploration

*Strategy, We Build it Ourselves*

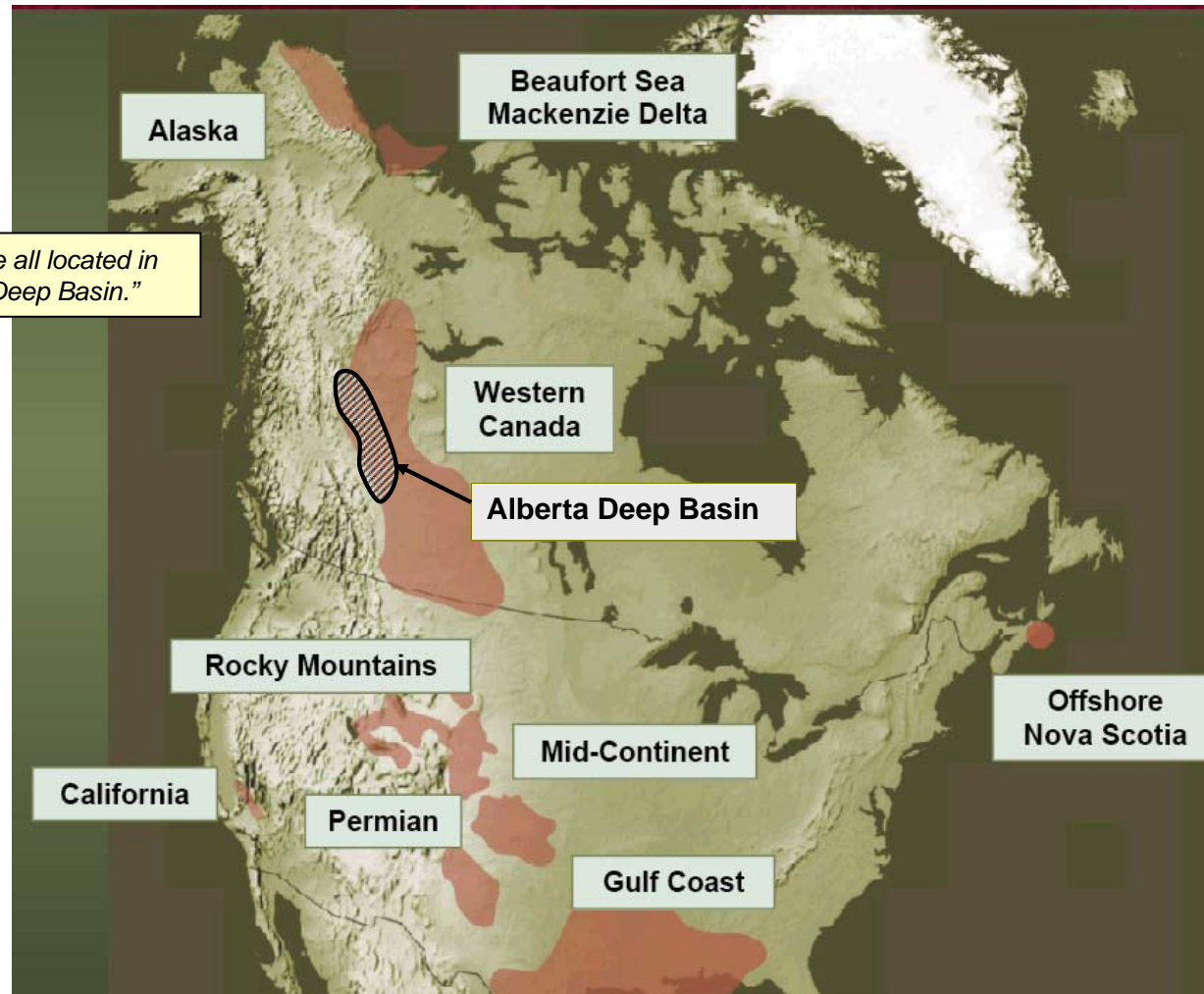


# Exploring for Tight Gas

## North American Tight Gas Deep Basins



*"Peyto's Assets are all located in Canada's Alberta Deep Basin."*



Map Courtesy of GTI

# Deep Basin Tight Gas

## General Area of Operations Map

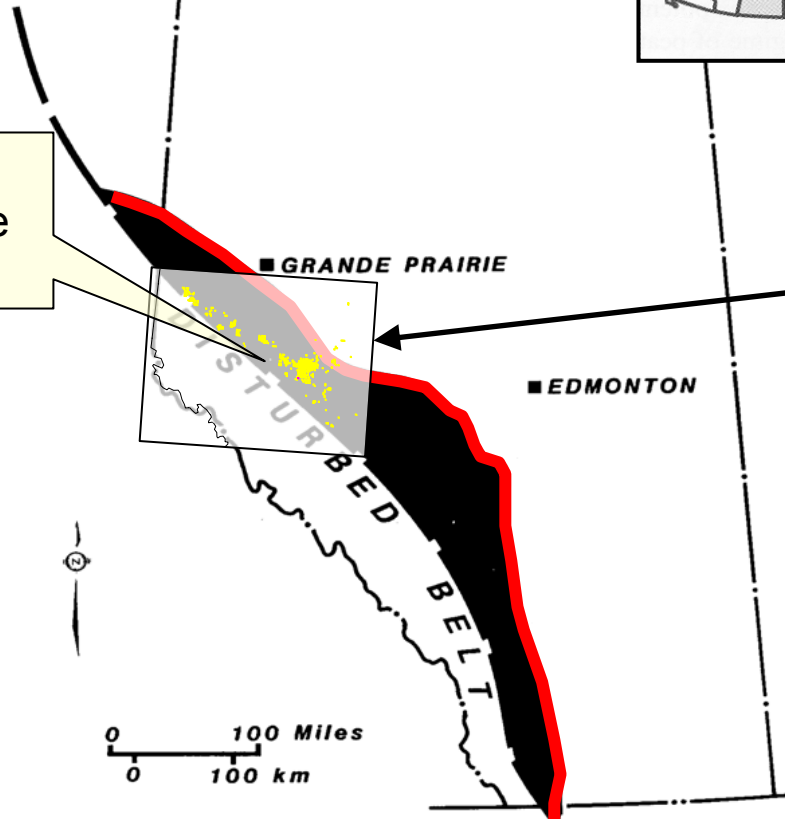


"Over the past ten years, Peyto has focused its efforts on a design, drill and build strategy exclusively in the Deep Basin. The Deep Basin is considered Alberta's premier exploration area for high quality long life gas reserves."

A L B E R T A

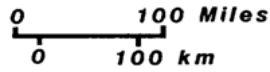


Peyto's Sundance Area



Alberta's Central Deep Basin Activity (October 2008)

Rank	Company	Wells, On Production (Since Jan 1, 1999)
1	CanHunter/Burlington/ConocoPhillips	1202
2	RioAlto/CNRL/Anadarko	1059
3	<b>Peyto</b>	<b>677</b>
4	Petromet/Talisman	586
5	Anderson/Devon	478



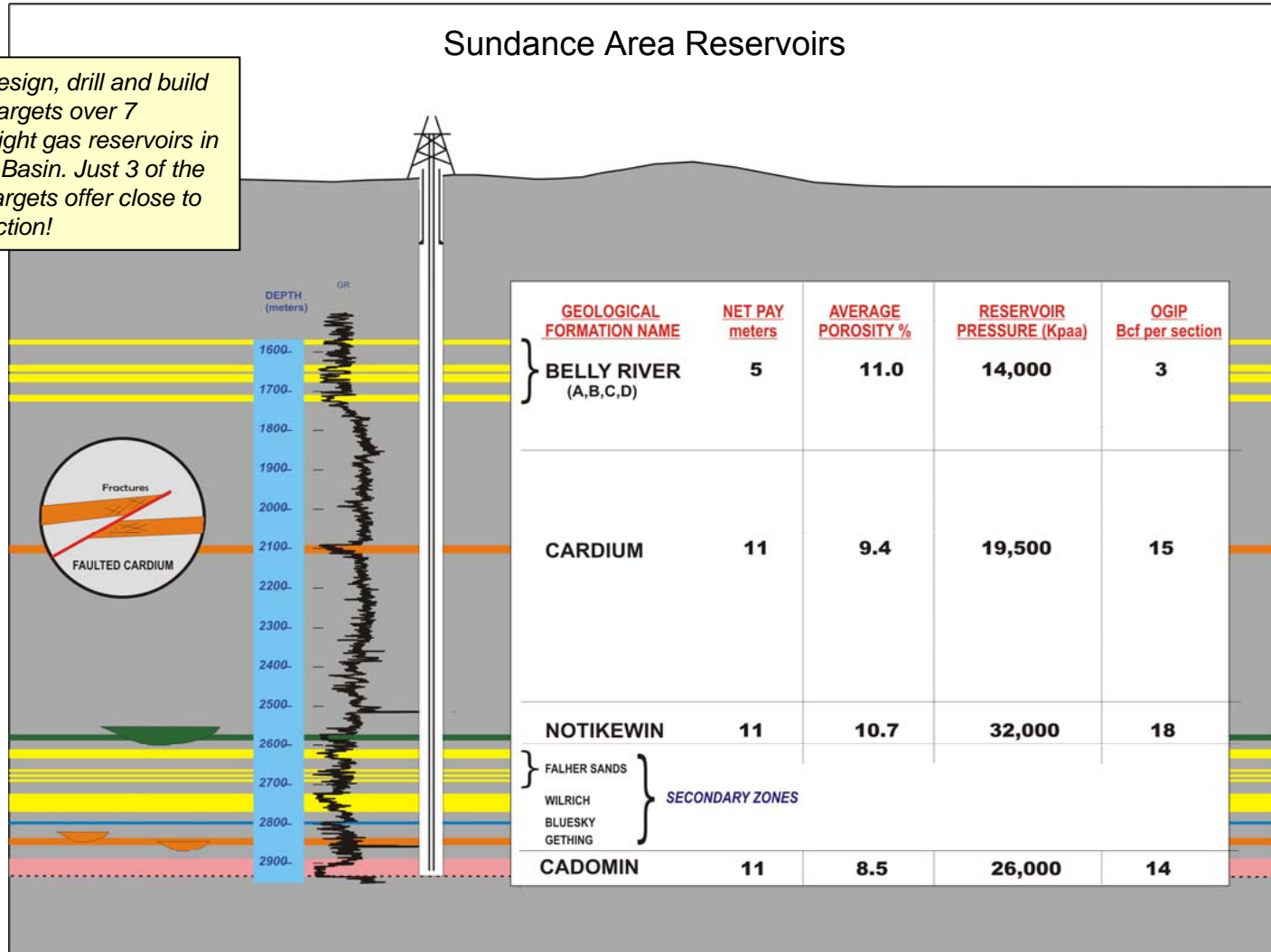
# Deep Basin Tight Gas

## Multiple Vertical Targets



*Peyto's design, drill and build strategy targets over 7 different tight gas reservoirs in the Deep Basin. Just 3 of the primary targets offer close to 50 bcf/section!*

### Sundance Area Reservoirs

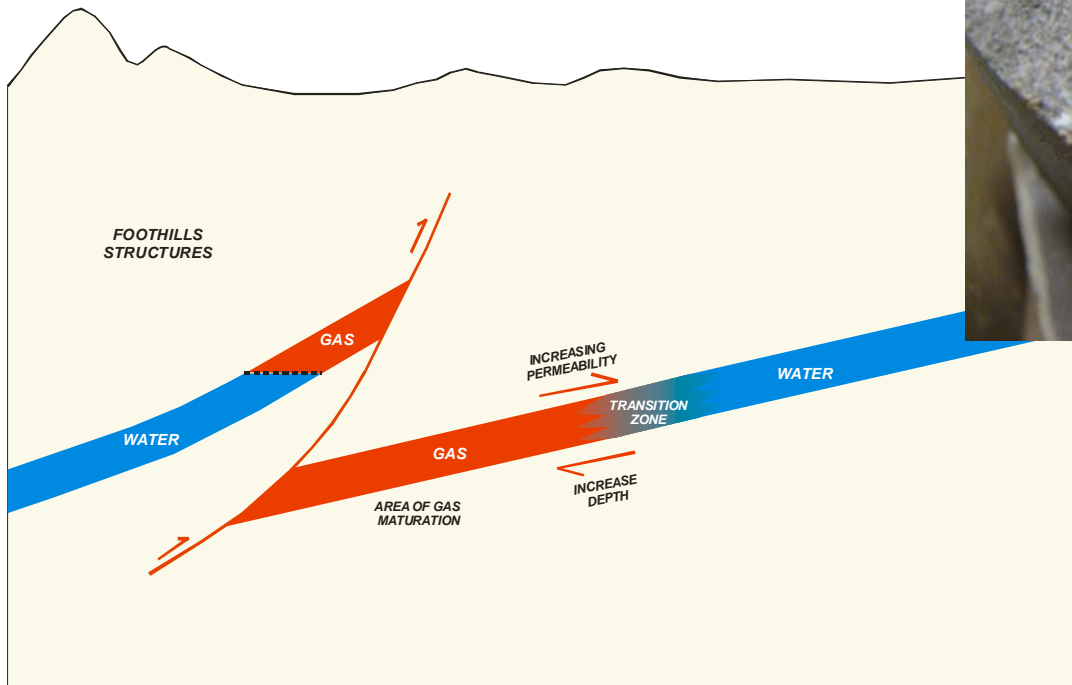


# Cardium Resource Play

## Permeability Segregation

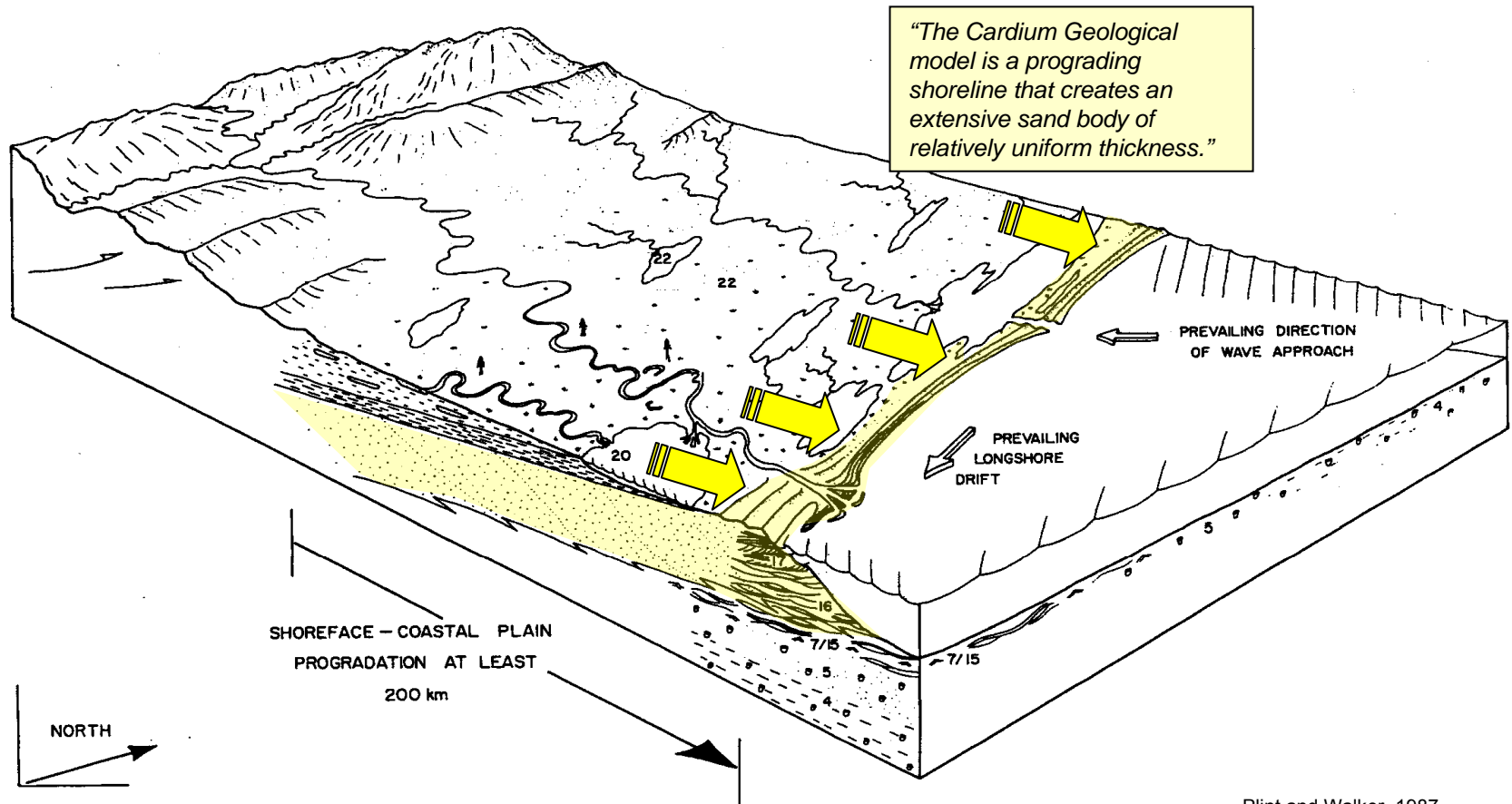


*"The Cardium is a very fine grained, low permeability sand that will not allow water to flow through the pore spaces. This creates a "hydrodynamic" trap with water up-dip of gas."*



# Cardium Resource Play

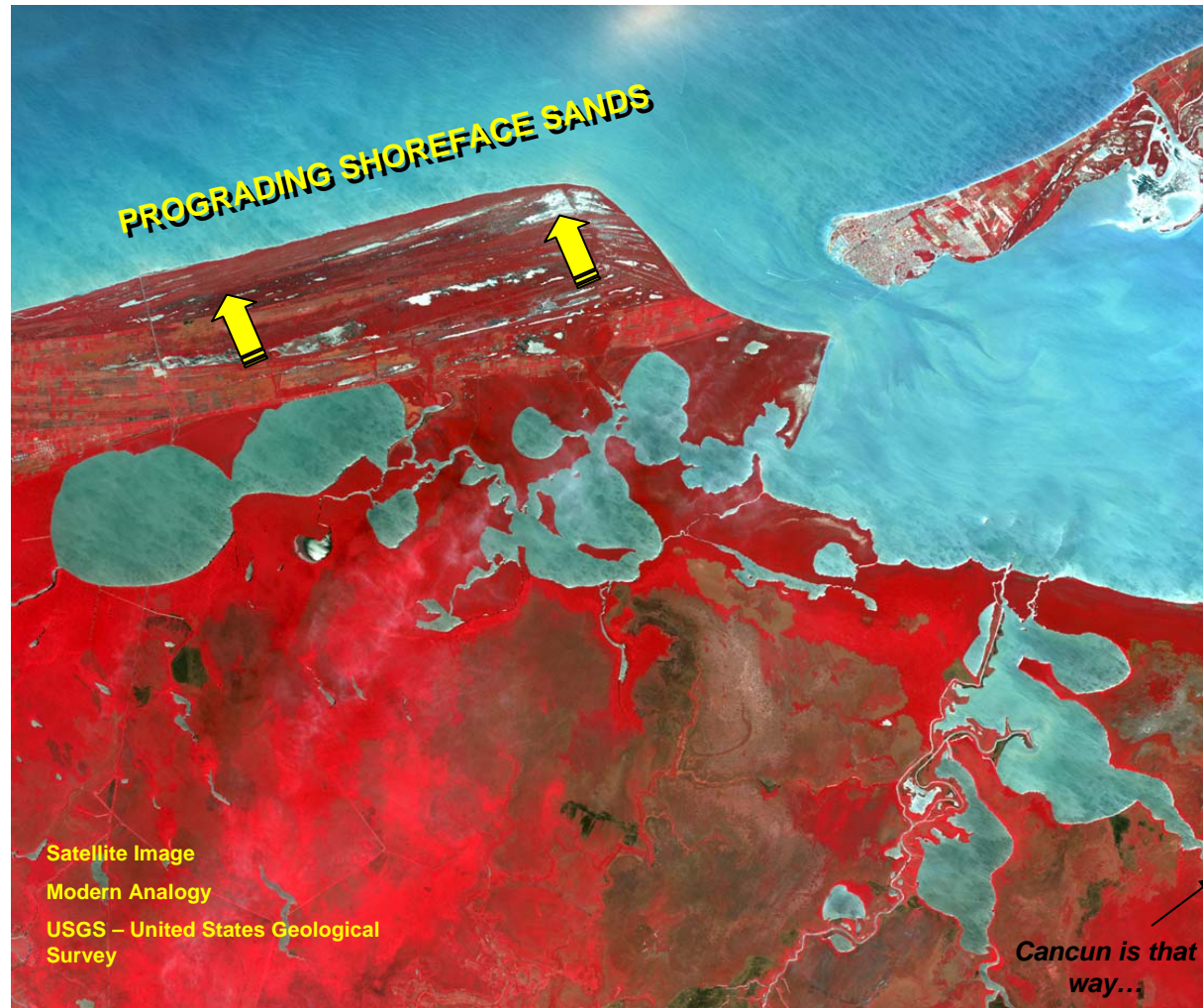
## Cardium Depositional Model



Plint and Walker, 1987

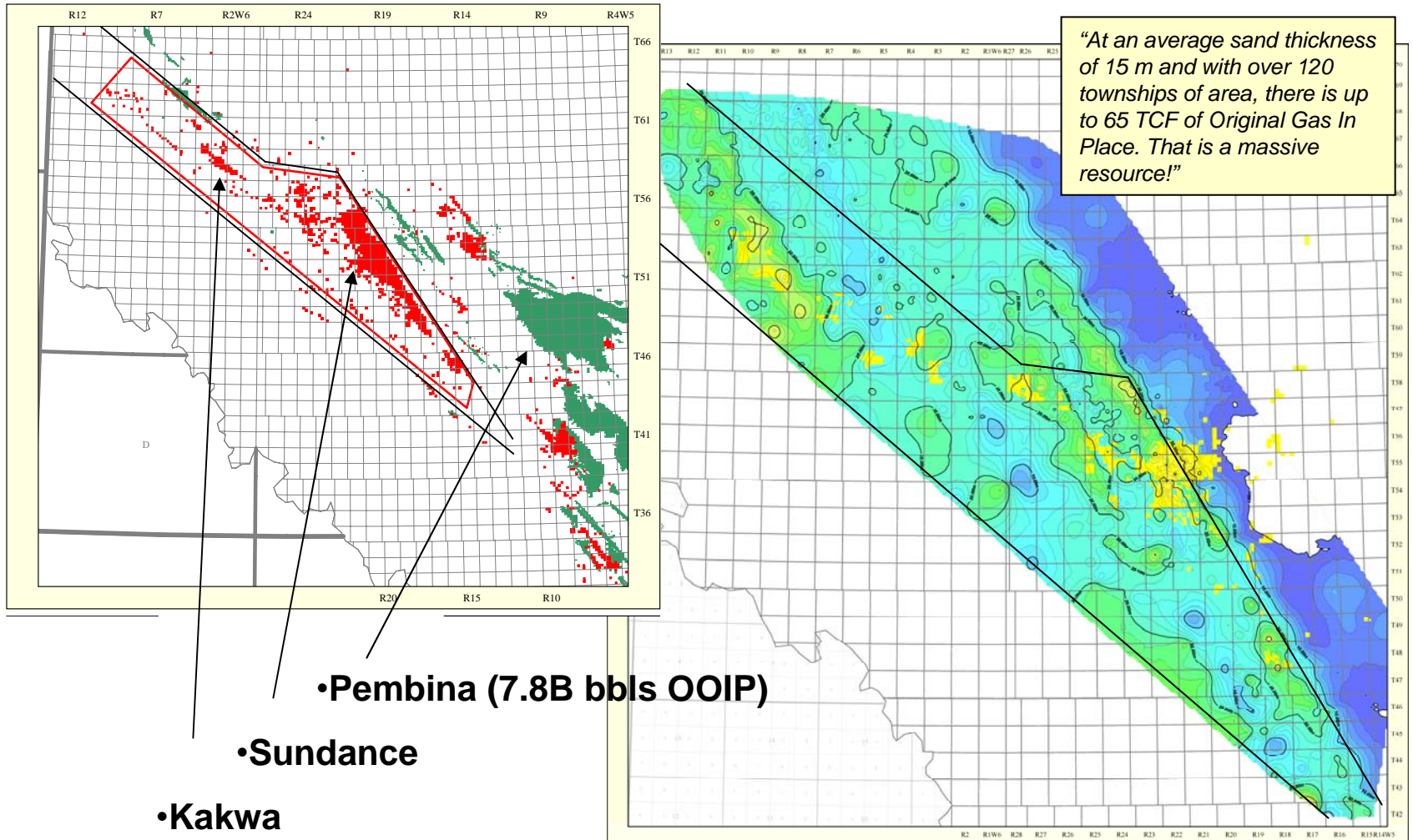
# Cardium Resource Play

*Cardium Depositional Model – Modern Analogy*



# Cardium Resource Play

## Cardium Thickness and Pool Map

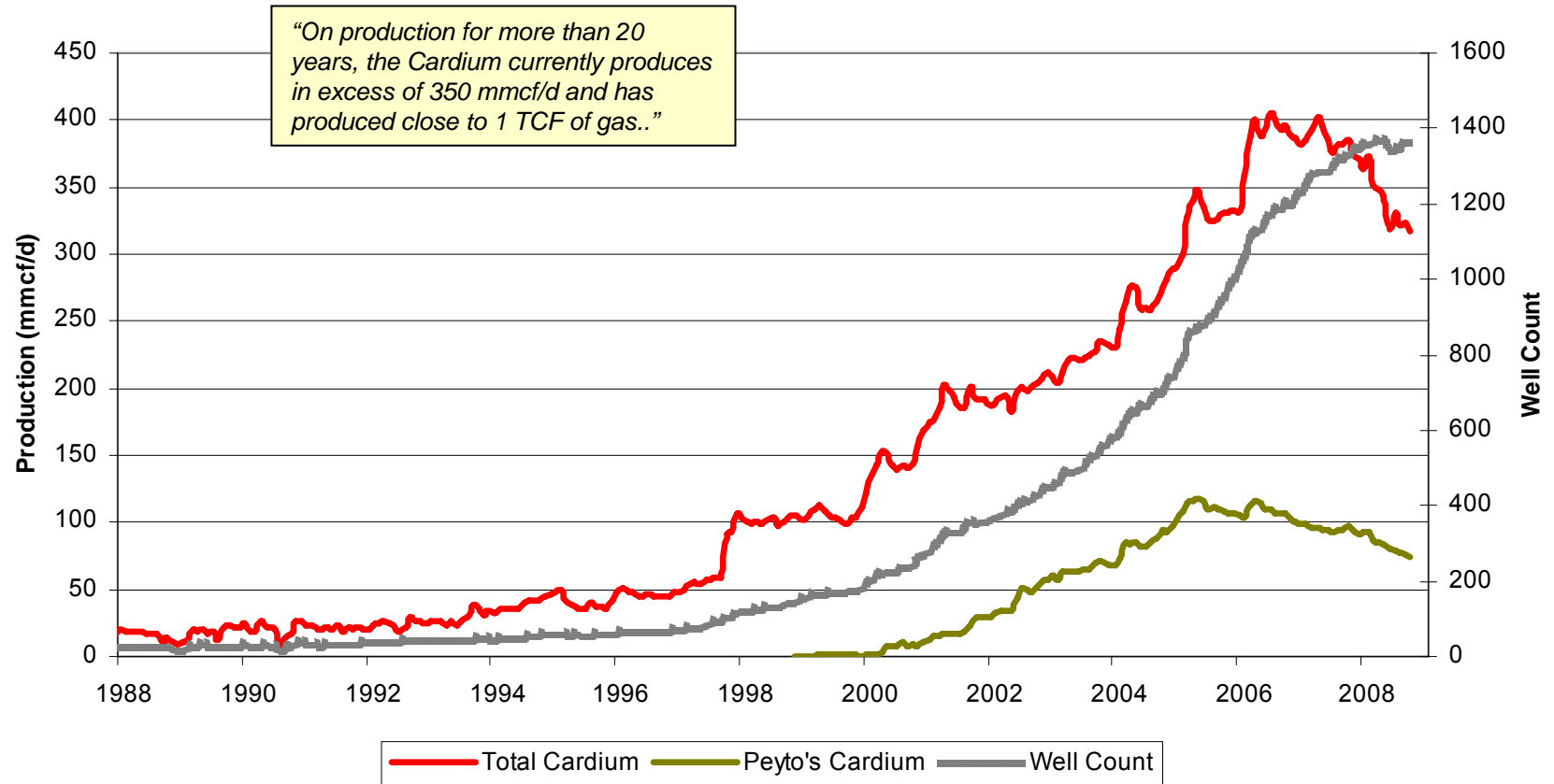


# Cardium Resource Play

## Deep Basin Cardium Production

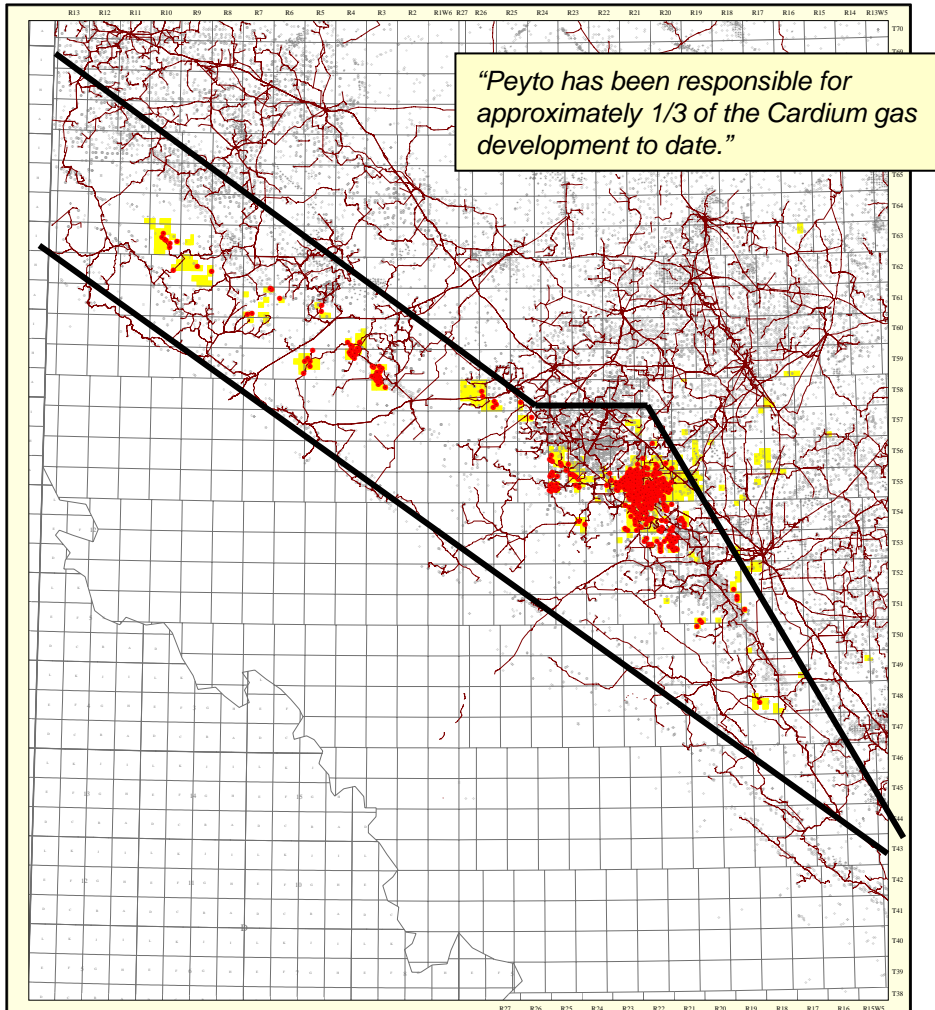


Deep Basin Cardium Production



# Cardium Resource Play

## Peyto's Cardium Producers



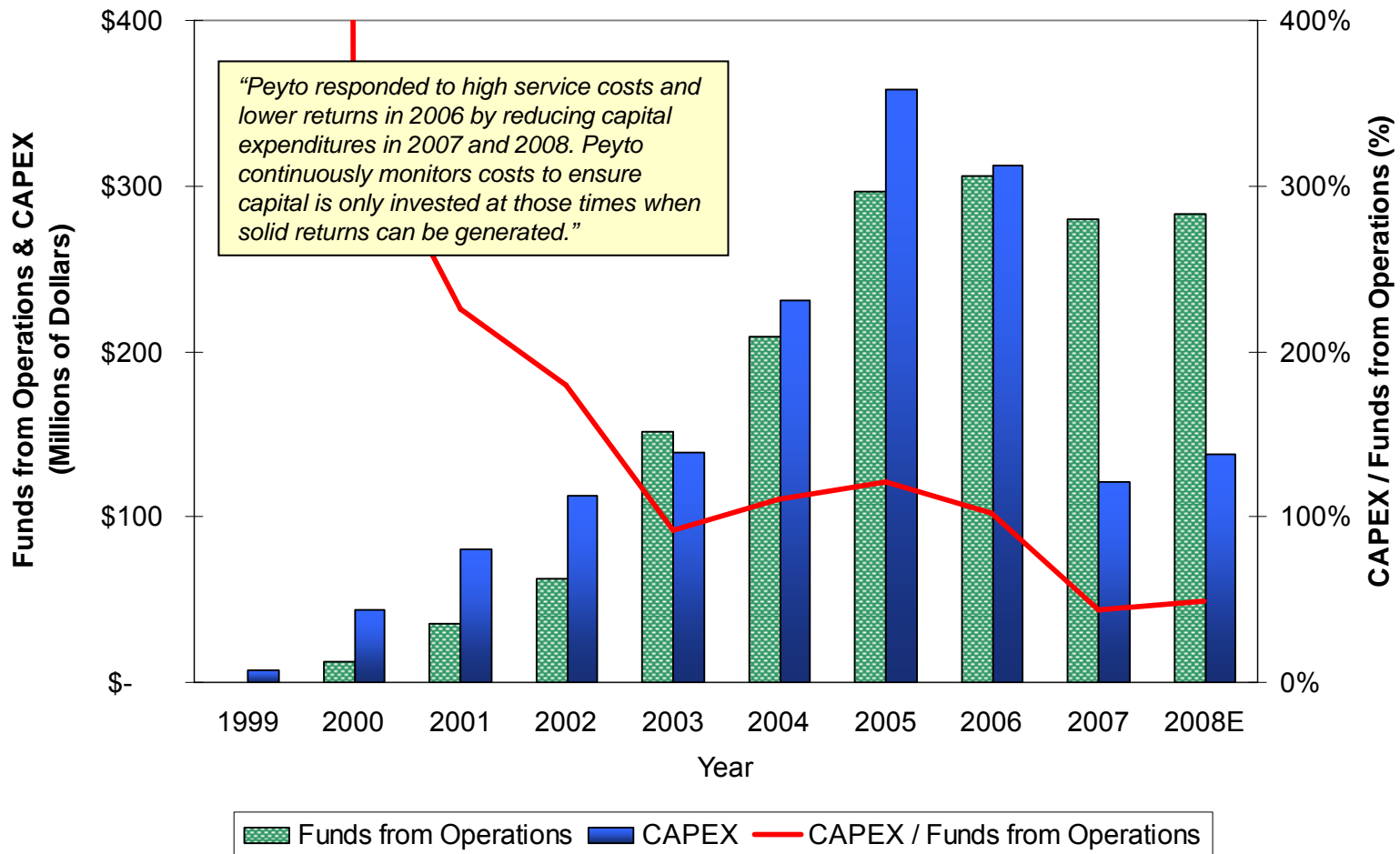
## Peyto's Cardium:

### Over 400 Cardium Producers

- 875 BCF Original Gas In Place
- 750 BCF Raw Recoverable Gas
- 225 BCF Produced to Date
- 480 BCF Remaining Sales
- 360 BCF WI Remaining (75% ave)

# Capital Expenditures

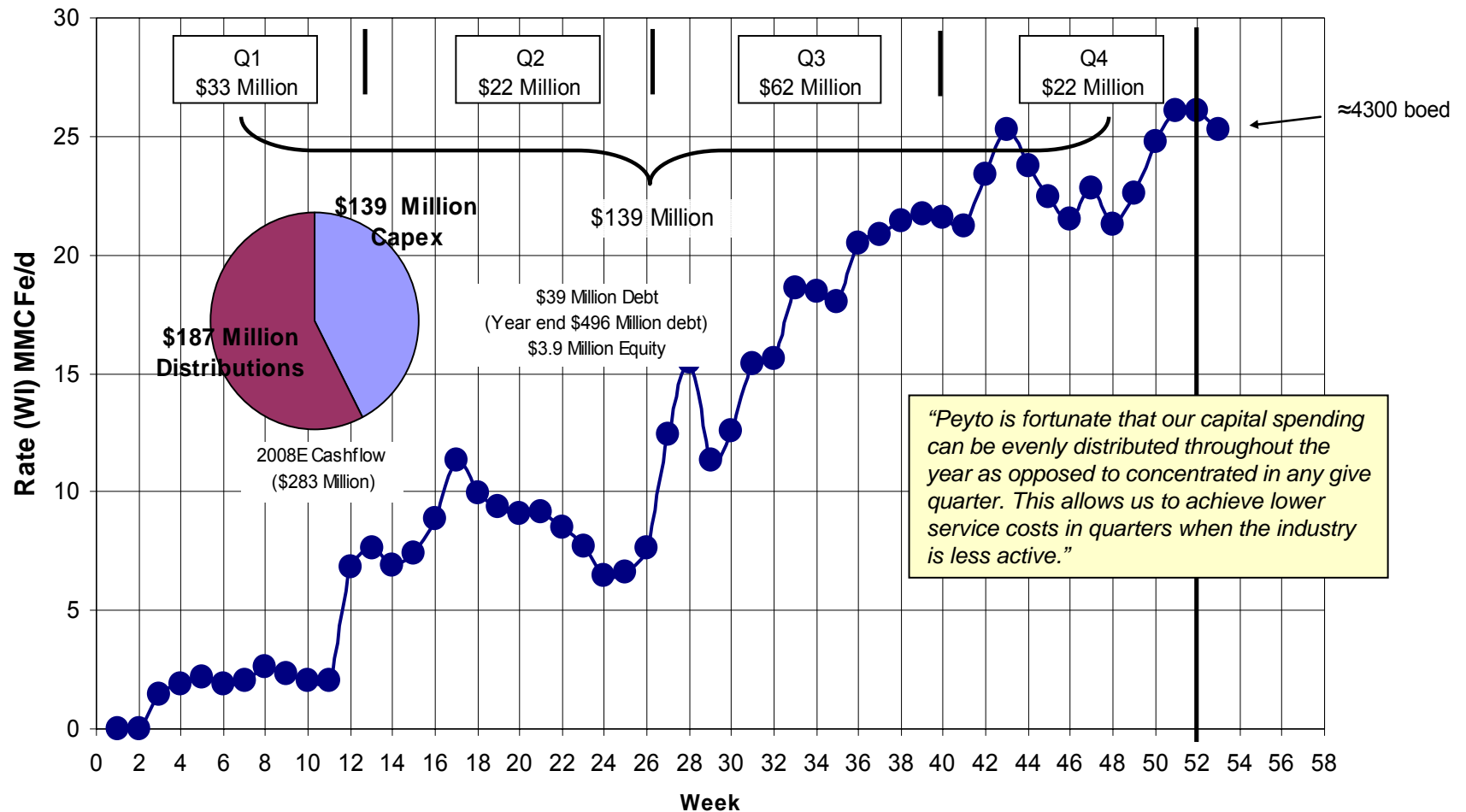
## Track Record



Management uses funds from operations to analyze operating performance. In order to facilitate comparative analysis funds from operations is defined throughout this report as earnings before performance based compensation, non-cash and non-recurring expenses. As presented, funds from operations does not have any standardized meaning prescribed by Canadian GAAP.

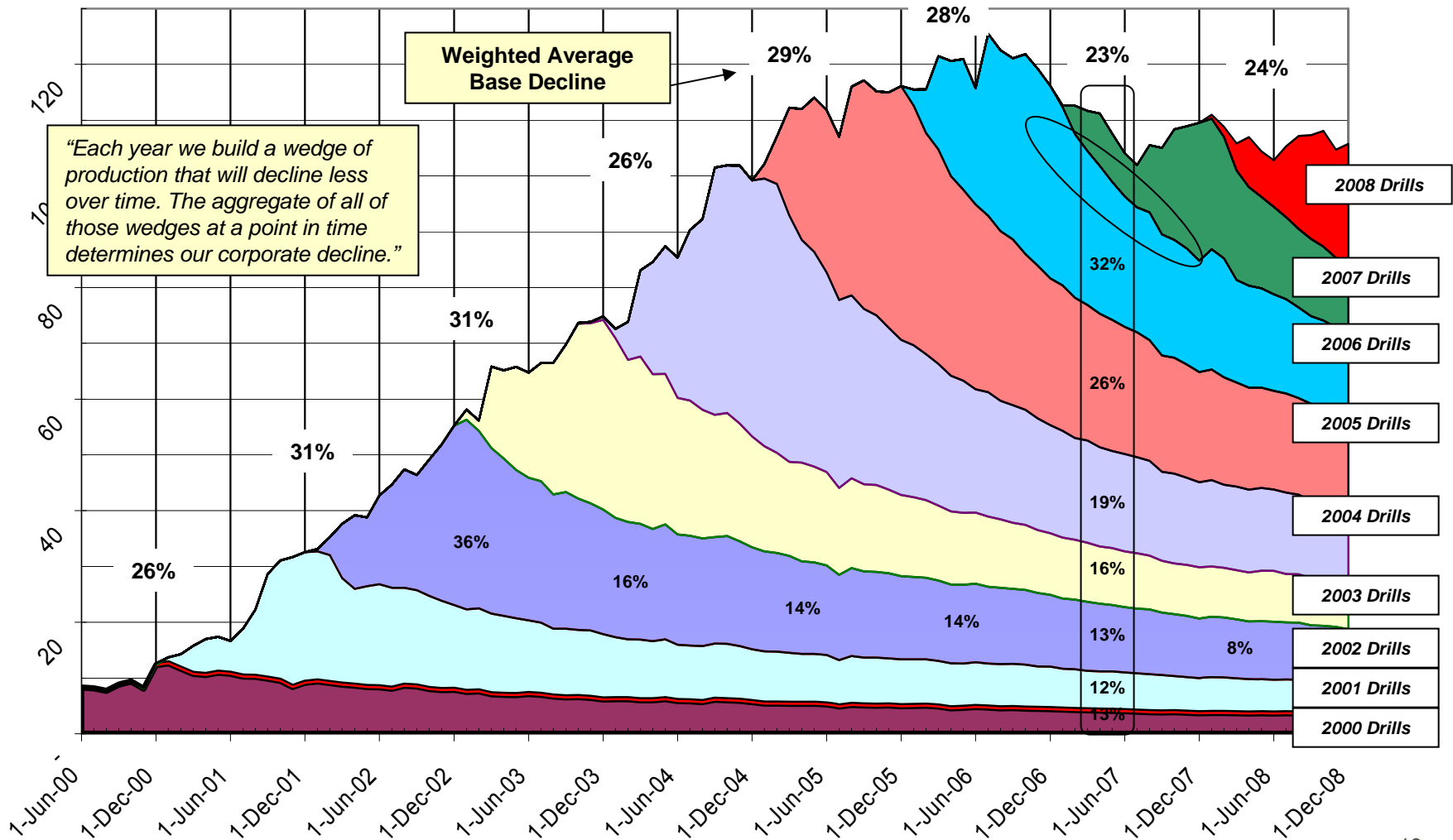
# Capital Expenditures

## 2008E Summary of Results



# Achievement of Growth

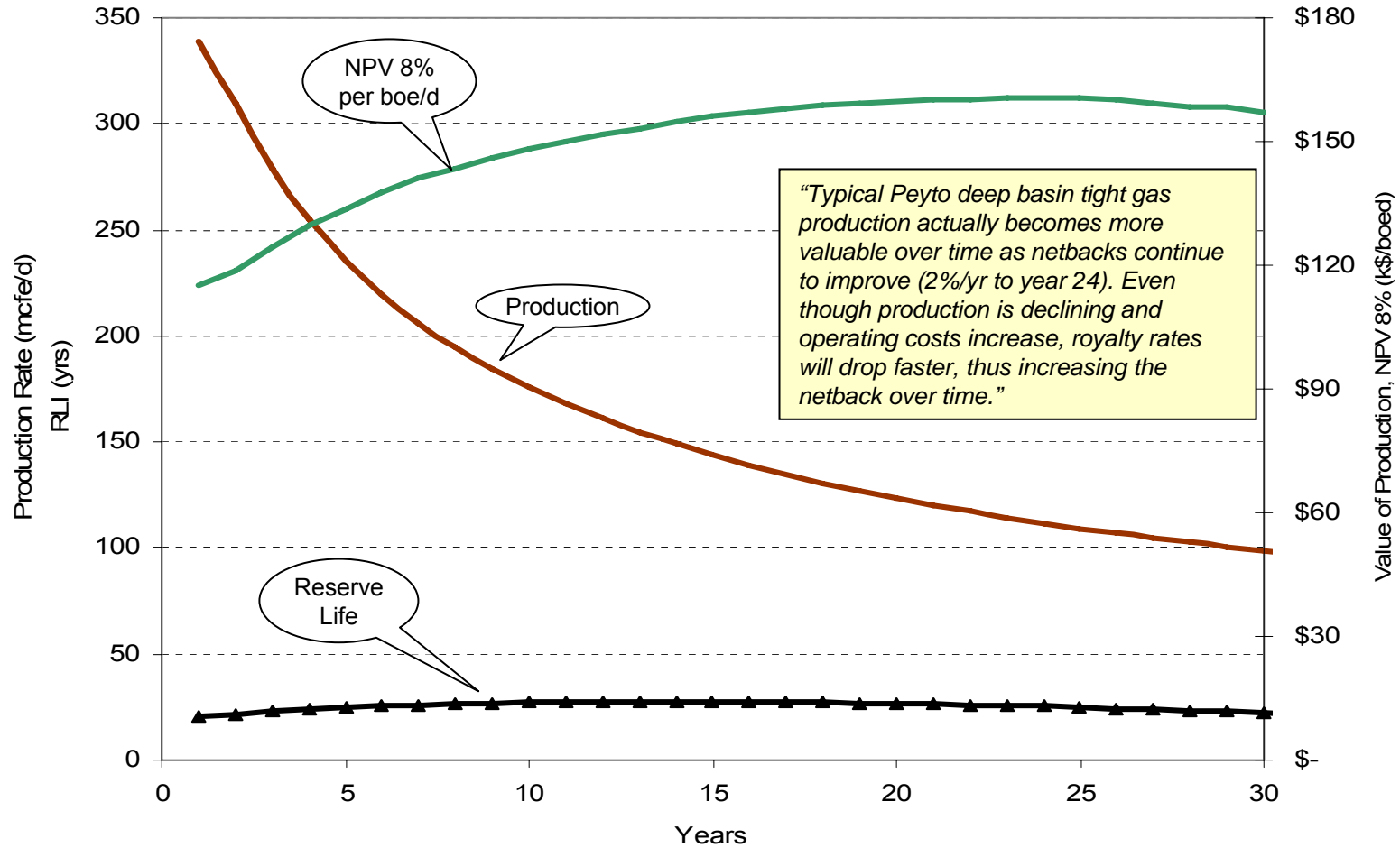
*Building Our Own Production*



Note: liquids are converted to molar equivalent gas volume for this analysis (1 bbl approximately equal to 1.13 mcfe)

# Tight Gas

## Understanding the Value

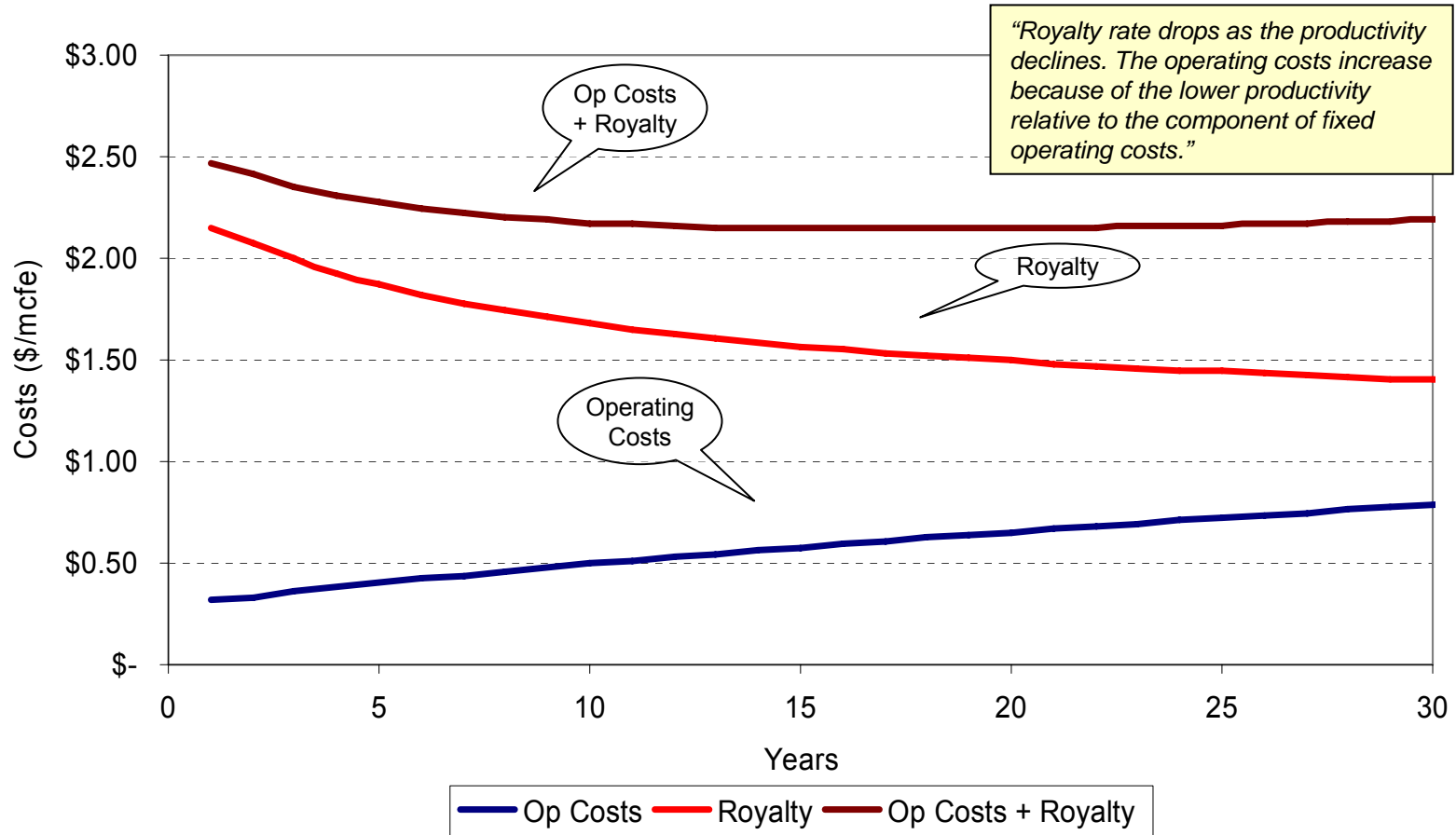


Using flat pricing, AB royalties, based on Sundance 15-14-55-21W5 Cardium

BOE factor - 6 mcf = 1 bbl of oil equivalent

# Tight Gas

## Understanding the Value



Using flat pricing, AB royalties, based on Sundance 15-14-55-21W5 Cardium

BOE factor - 6 mcf = 1 bbl of oil equivalent

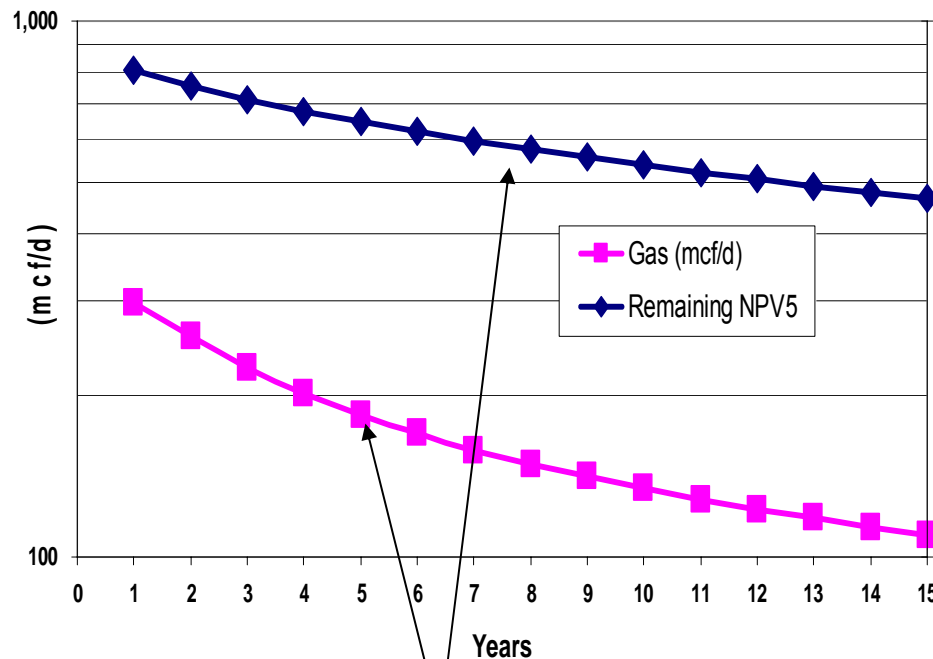
# Deep Basin Tight Gas

*Maintain Production to Grow Value*

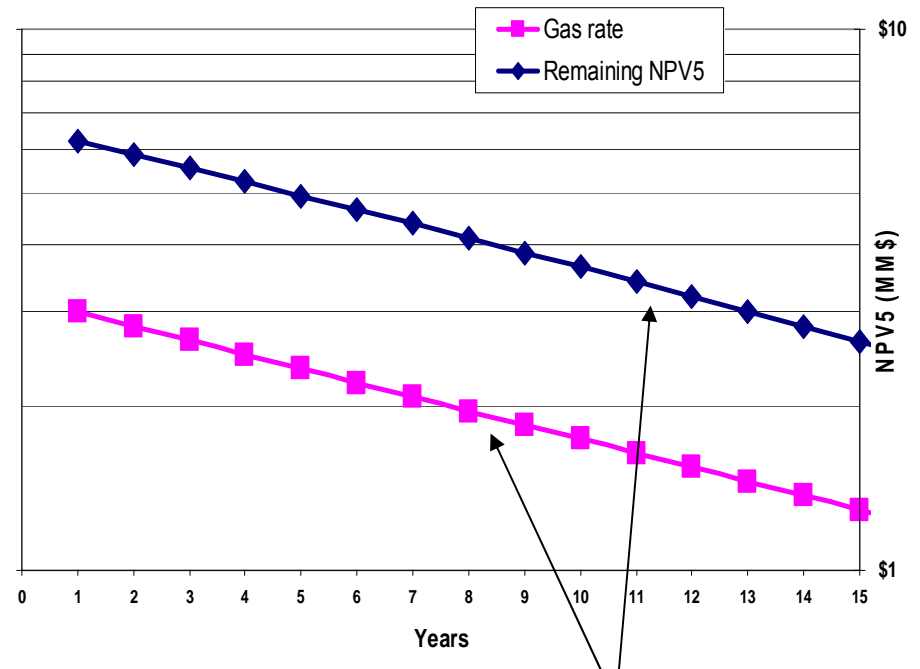


## Unconventional or Tight Gas

## Conventional Gas



Super Harmonic Decline  $\neq$  Value Decline



Exponential Decline  $\approx$  Value Decline

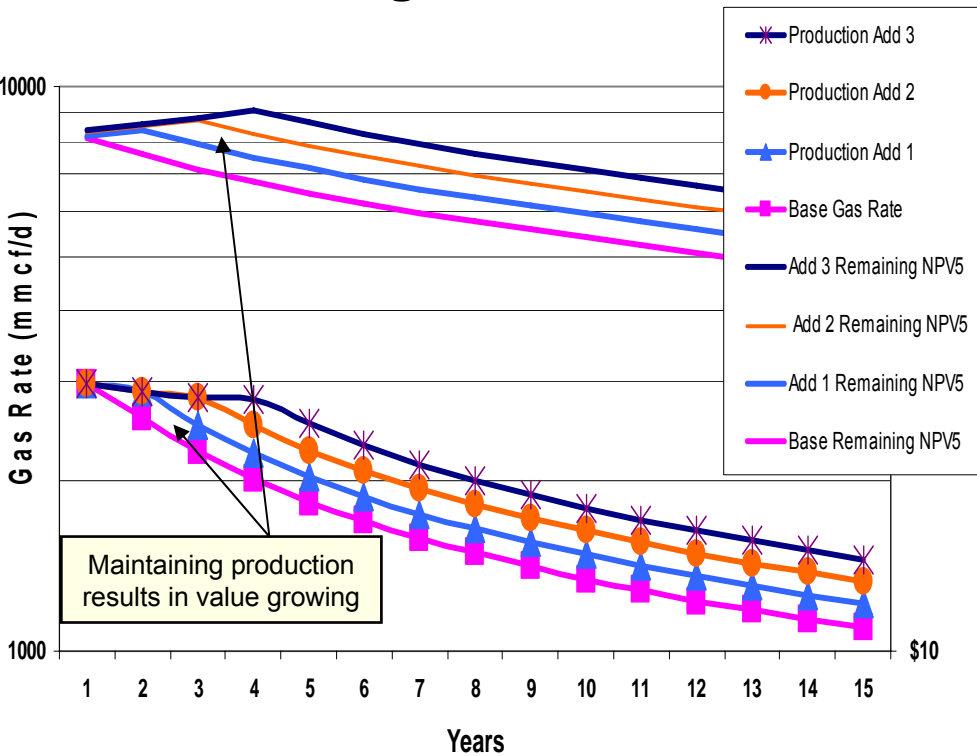
NPV5 – Net Present Value (5% discount factor)

# Deep Basin Tight Gas

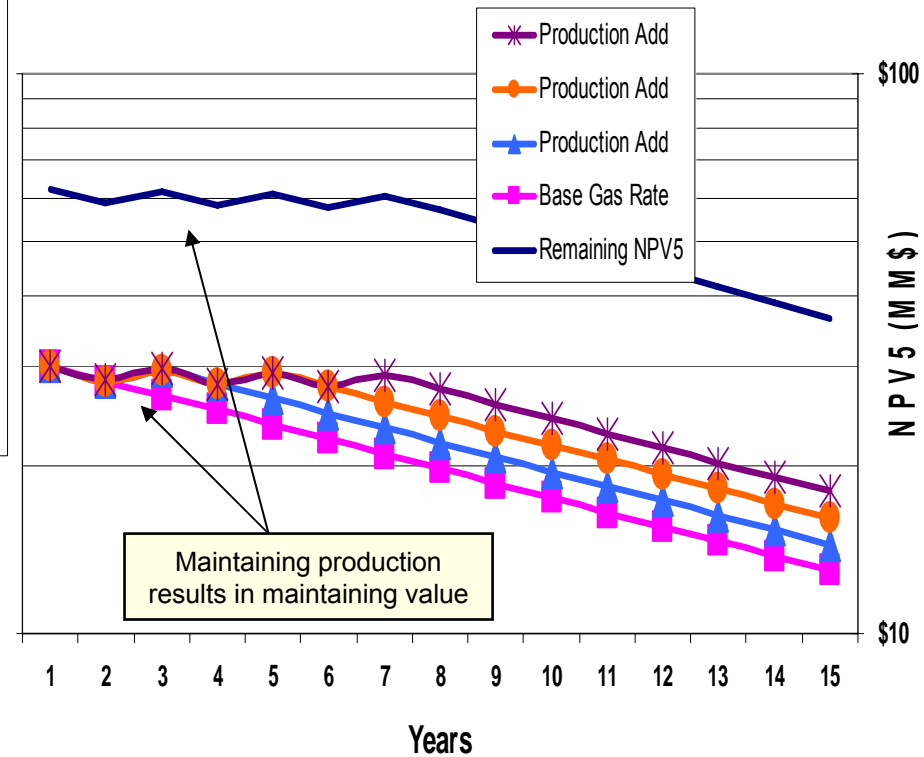
*Maintain Production to Grow Value*



## Unconventional or Tight Gas

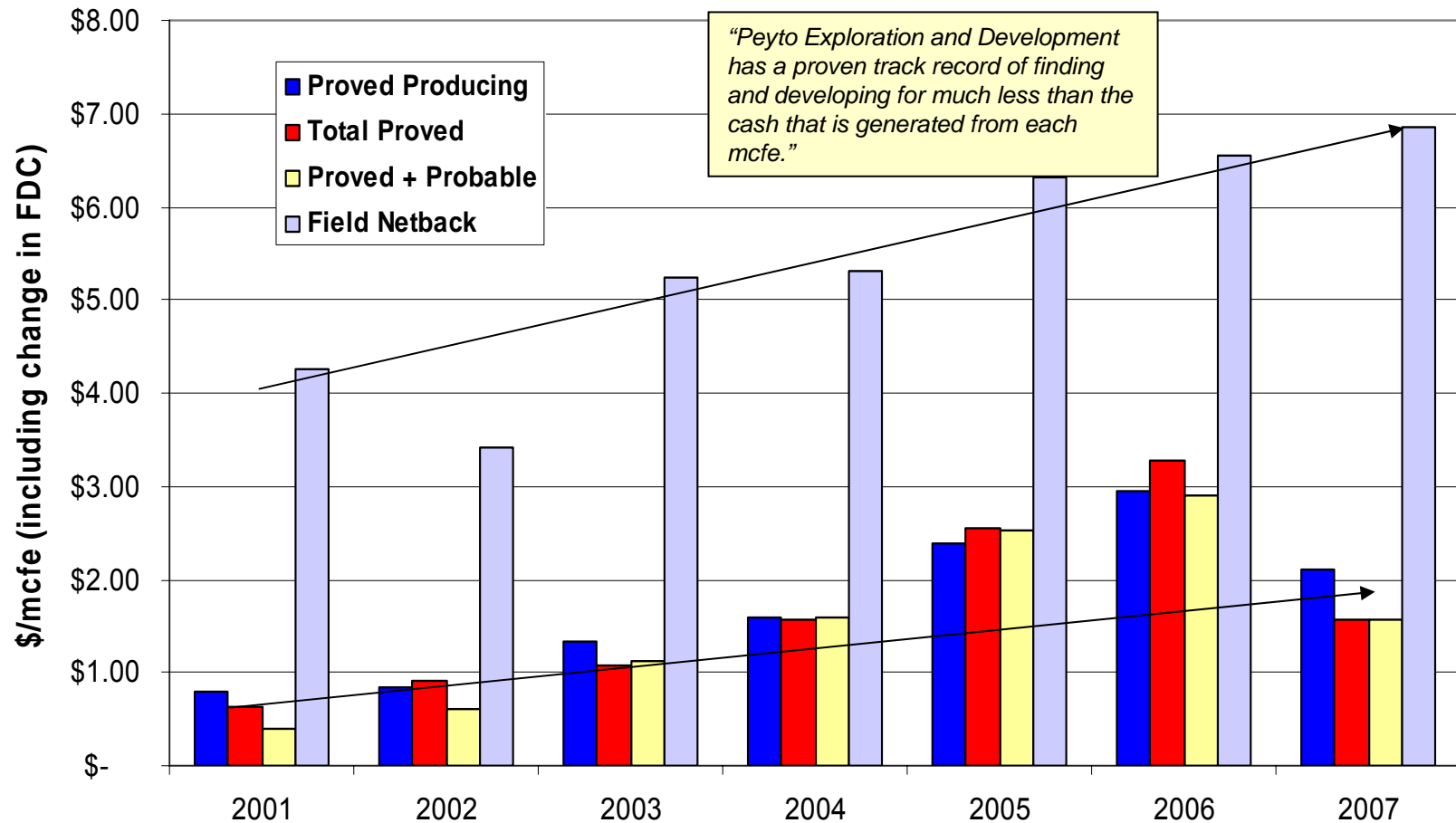


## Conventional Gas



# Peyto Exploration and Development

## Historical F&DA Costs



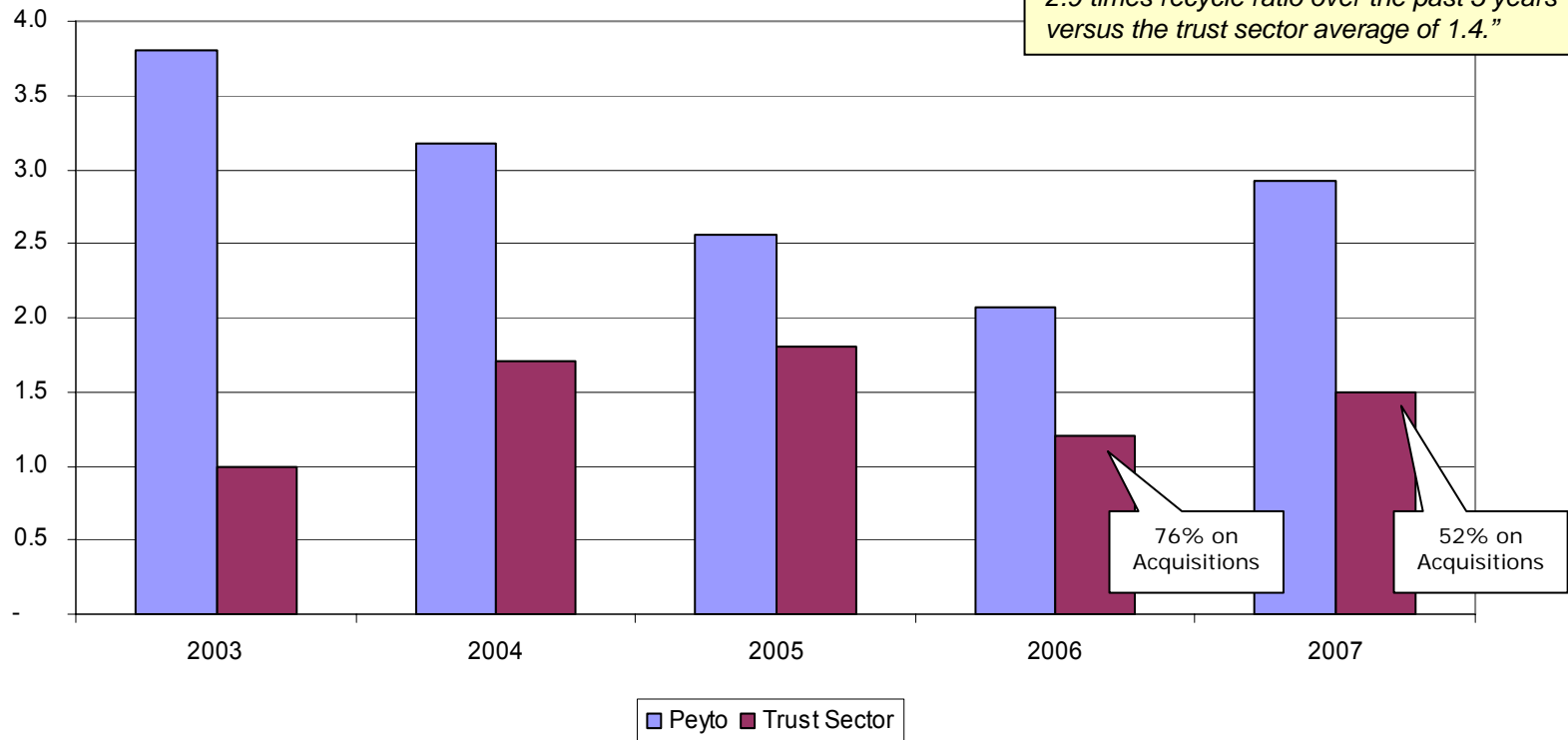
# Peyto Exploration and Development

*Build versus Acquire*

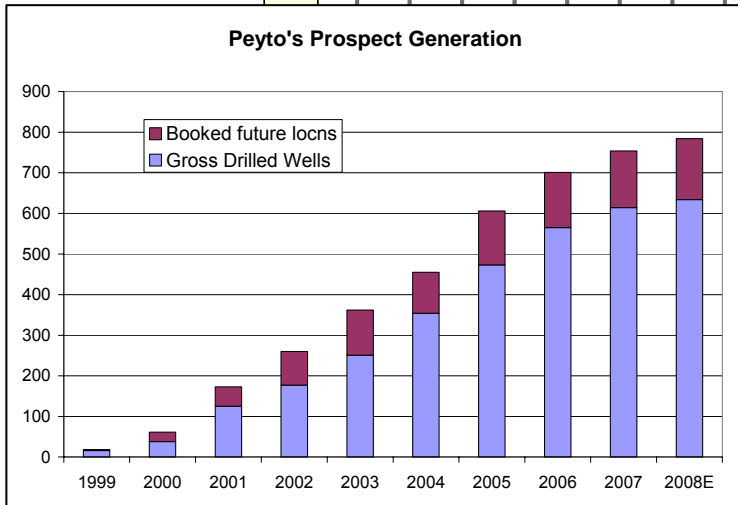
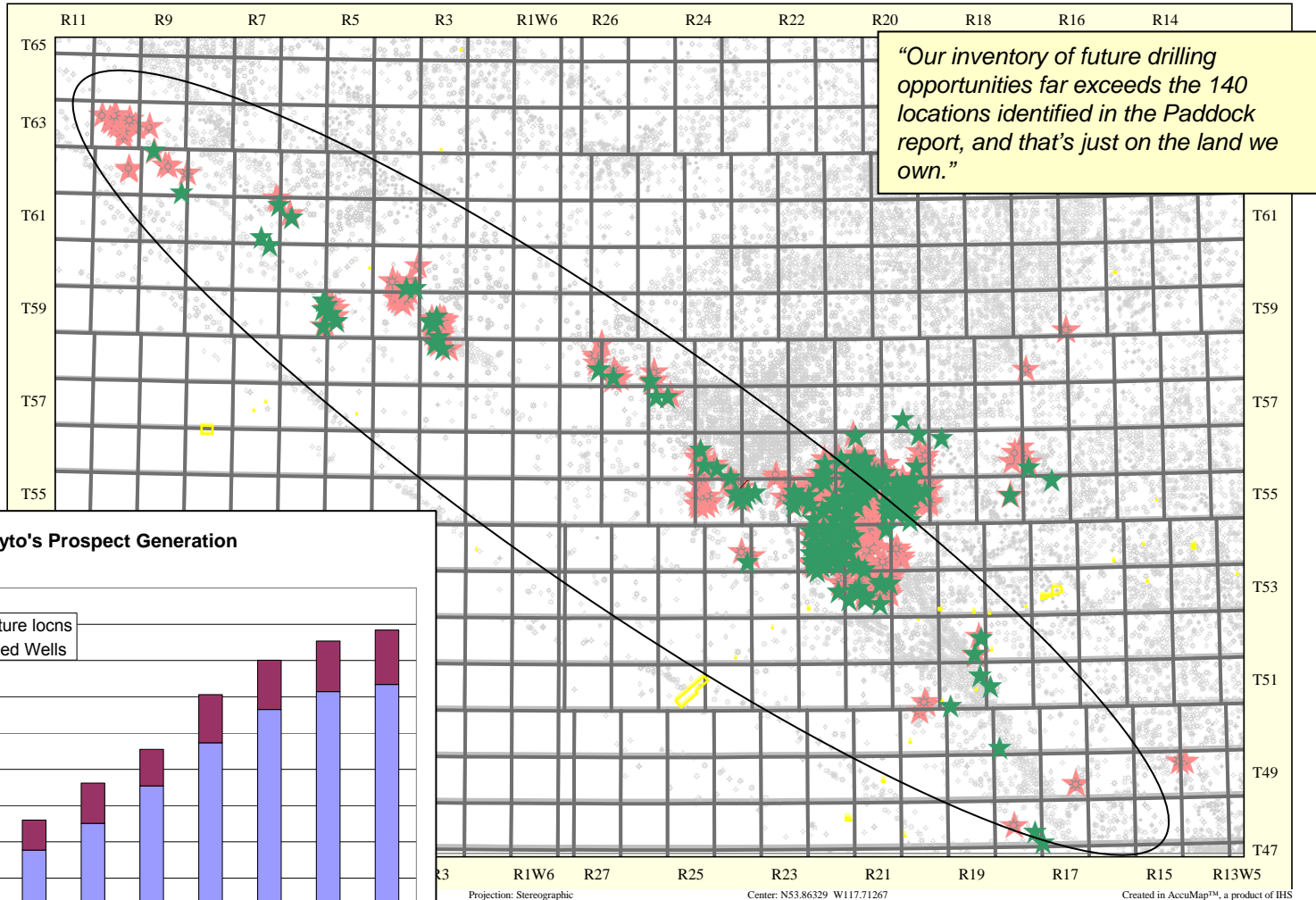


## Recycle Ratio

*"We all know "build it rather than buy it" generates better returns. Peyto averaged a 2.9 times recycle ratio over the past 5 years versus the trust sector average of 1.4."*

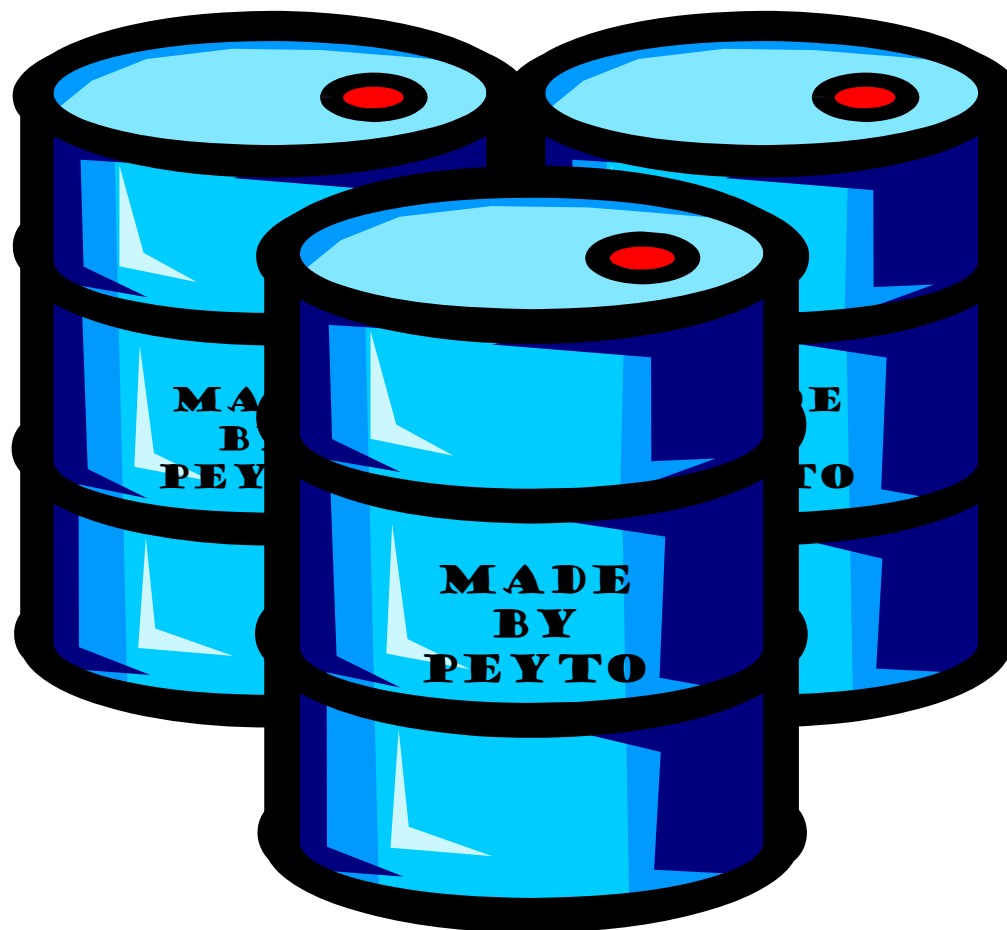


# Future Ideas



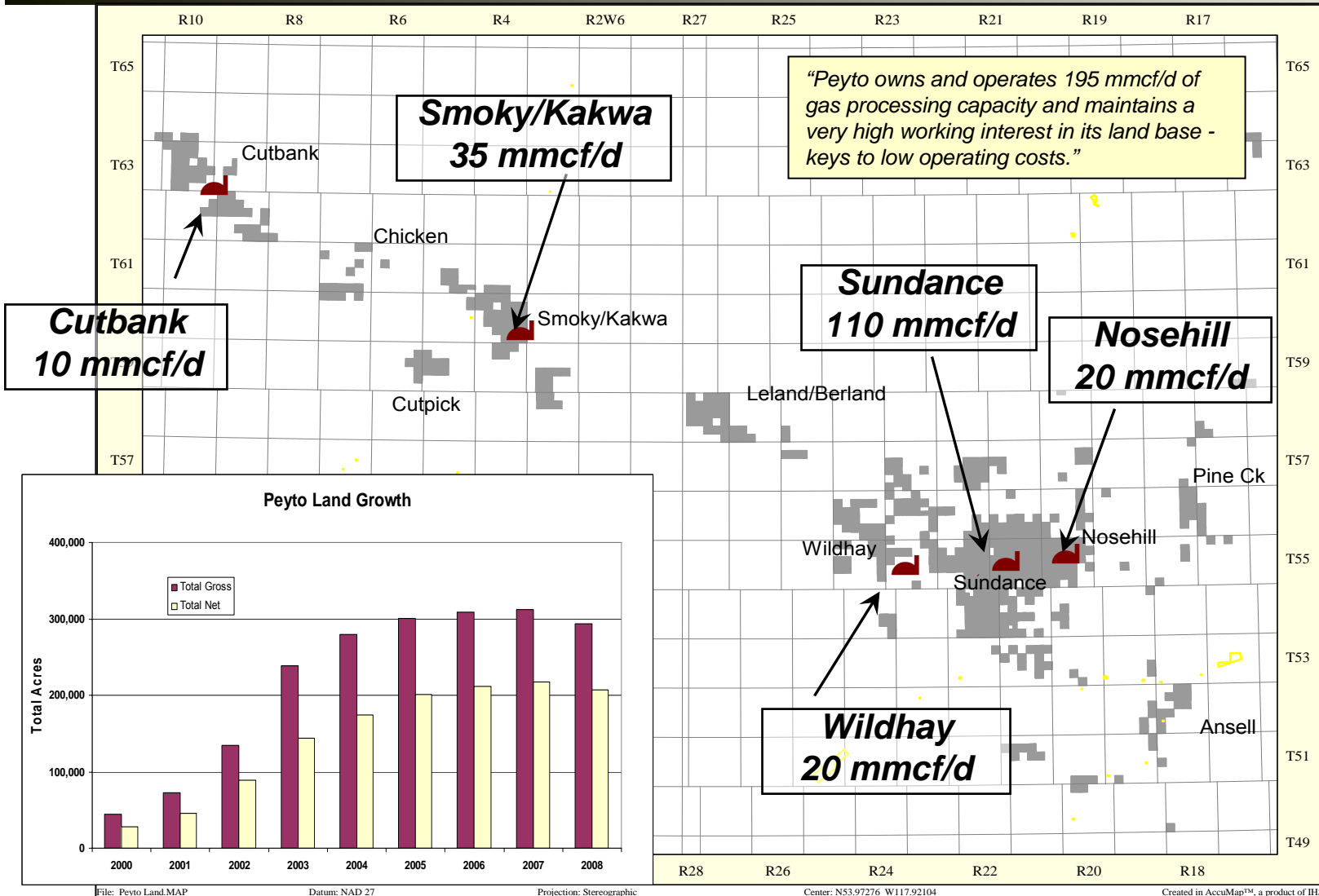
# Production Company

*Operated Assets*



# Peyto Operations Map

## Gas Plants & Land



# The Team



- |                   |                                  |                    |                      |
|-------------------|----------------------------------|--------------------|----------------------|
| • Darren Gee      | President, CEO, Director         | • Kathy Turgeon    | VP of Finance, CFO   |
| • Scott Robinson  | Executive VP and COO             | • Kevin Klimuk     | Assistant Controller |
| • Nicole Kehler   | Administrative Assistant         | • Melanie Gallant  | Finance              |
| • Enrico Espiritu | Engineering Manager              | • Lydia Hamaliuk   | Finance              |
| • Neil Korchinski | Engineering                      | • Liz Duerholt     | Finance              |
| • Joe Foose       | Operations, Completions Manager  | • Lauren Thiele    | Finance              |
| • Sean Kinoshita  | Operations, Production Manager   | • Michal Faminoff  | Finance              |
| • Todd Burdick    | Operations                       | • Robert Younker   | Finance              |
| • Audrey Peters   | Operations                       | • Aparna Sivakumar | Finance              |
| • Bryan Lang      | Operations, Drilling Manager     | • Jim Grant        | Investor Awareness   |
| • Lee Curran      | Operations                       |                    |                      |
| • Susan Hupman    | Operations                       |                    |                      |
| • Jamie Kuntz     | Operations                       |                    |                      |
| • Doug Schmidt    | Operations, JV/Marketing Manager |                    |                      |
| • Dave Drover     | Exploration                      |                    |                      |
| • John Troyer     | Exploration                      |                    |                      |
| • David Thomas    | Exploration                      |                    |                      |
| • Glenn Booth     | Land, Vice President             |                    |                      |
| • Elaine Moses    | Land, Manager                    |                    |                      |
| • Maureen Roberts | Land                             |                    |                      |
| • Sonia Kelly     | Land                             |                    |                      |
| • Cathy Warren    | Land                             |                    |                      |
| • Tara Antosh     | Land                             |                    |                      |

*"It takes a talented team to build your own assets. The quality of the assets we have built and the returns we have been able to achieve on our capital are proof that our team knows how to execute. We have a relatively small team for the value of our asset base and the amount of capital we invest each year."*

# Low Operating Costs



Year	Field Expenses (\$/mcfe)	Transportation (\$/mcfe)	Processing Income (\$/mcfe)	Operating Costs (\$/mcfe)
2002	\$ 0.24	\$ 0.10	\$ (0.11)	\$ 0.23
2003	\$ 0.33	\$ 0.09	\$ (0.12)	\$ 0.31
2004	\$ 0.30	\$ 0.12	\$ (0.12)	\$ 0.29
2005	\$ 0.36	\$ 0.11	\$ (0.10)	\$ 0.37
2006	\$ 0.51	\$ 0.10	\$ (0.15)	\$ 0.46
2007	\$ 0.63	\$ 0.10	\$ (0.20)	\$ 0.52

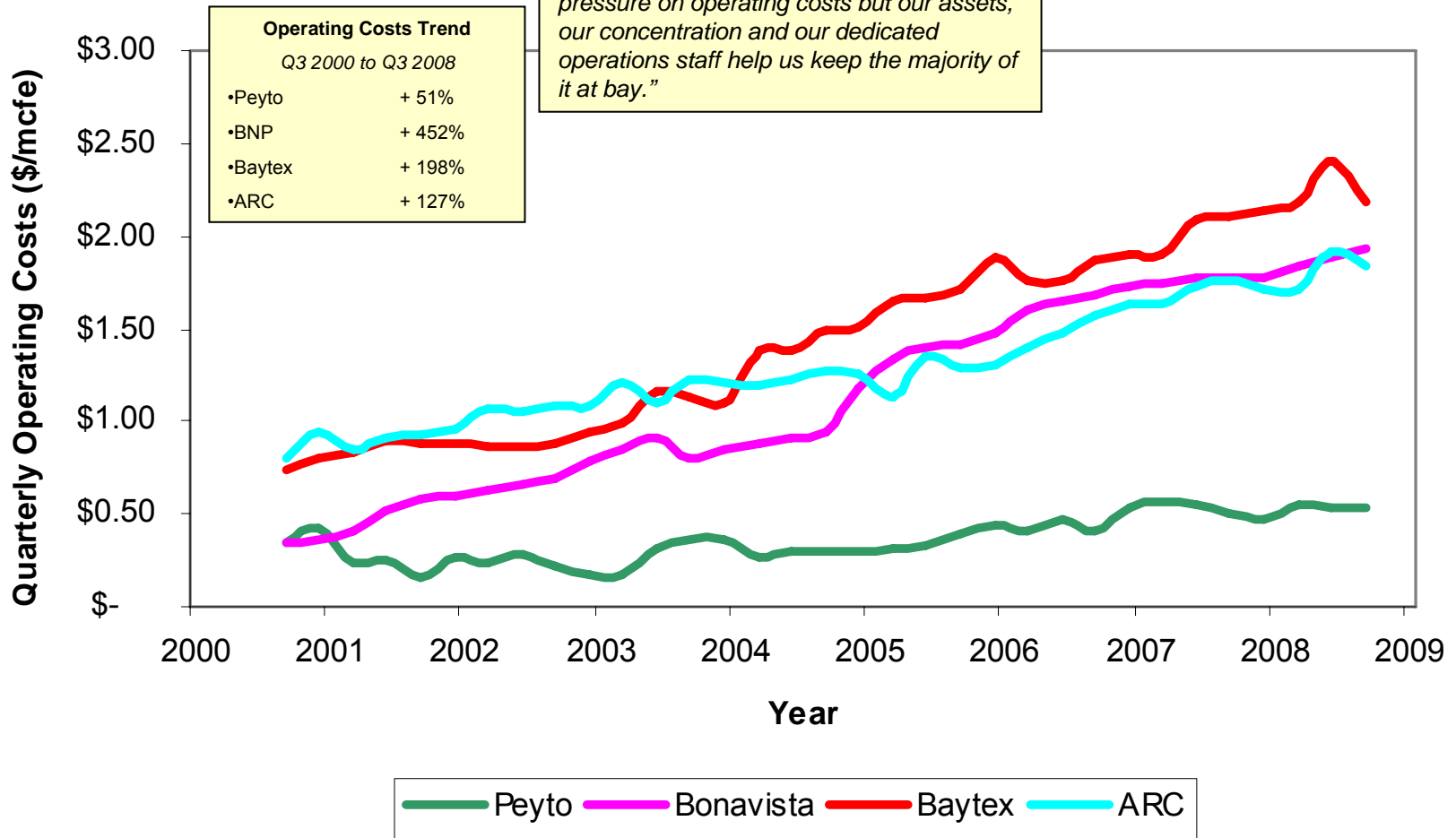
*“One of the reasons our assets are so valuable is our industry leading operating costs. Our operating costs are so low for a number of reasons. First, we produce from reservoirs that do not have the added cost of water or sour gas disposal. Second, our wells have relatively high productivity. Third, we build our own infrastructure to gather, process and deliver our gas. Finally, we have a tremendous operations team.”*

# Operating Costs

## Eight Year Trend



*"We have not been immune to inflationary pressure on operating costs but our assets, our concentration and our dedicated operations staff help us keep the majority of it at bay."*



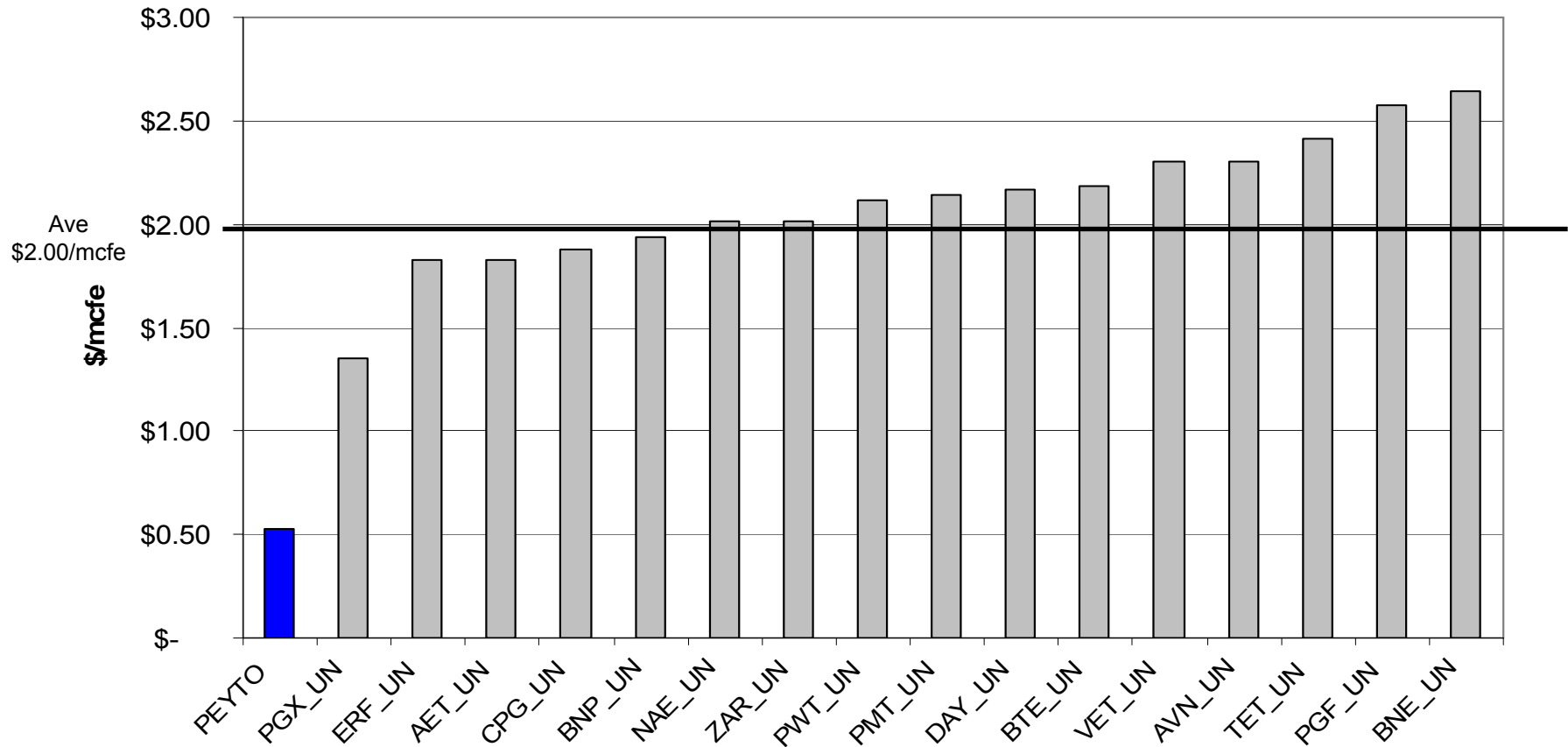
BOE factor - 6 mcf = 1 bbl of oil equivalent  
Note operating costs include transportation

# Operating Costs

## Industry Comparison



### Q3 2008 Operating Costs



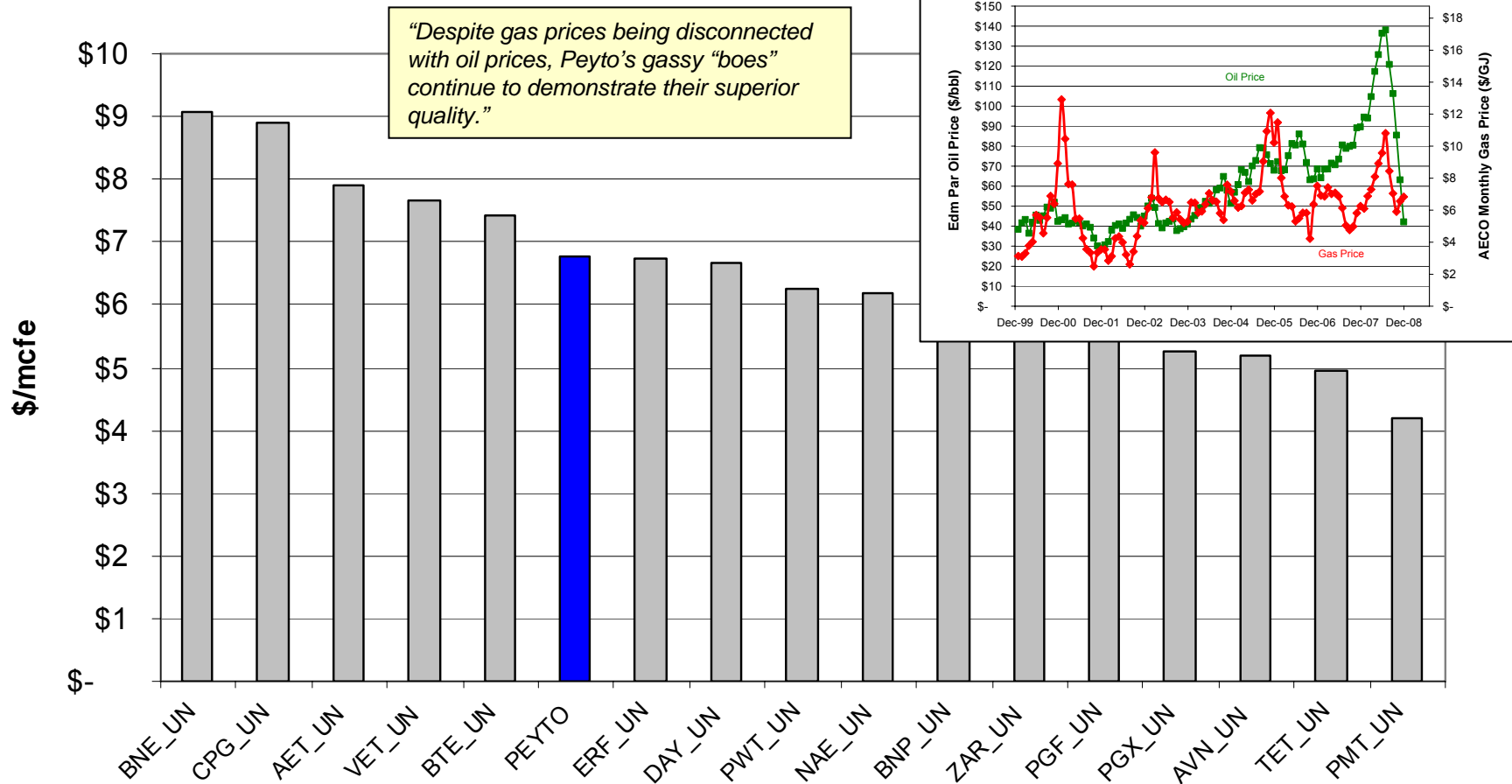
Operating Costs include Transportation costs. Peyto has always included transportation costs as part of its operating costs.

# Netback

## Industry Comparison



### Q3 2008 Netback



Cashflow Netback per mcf of production.

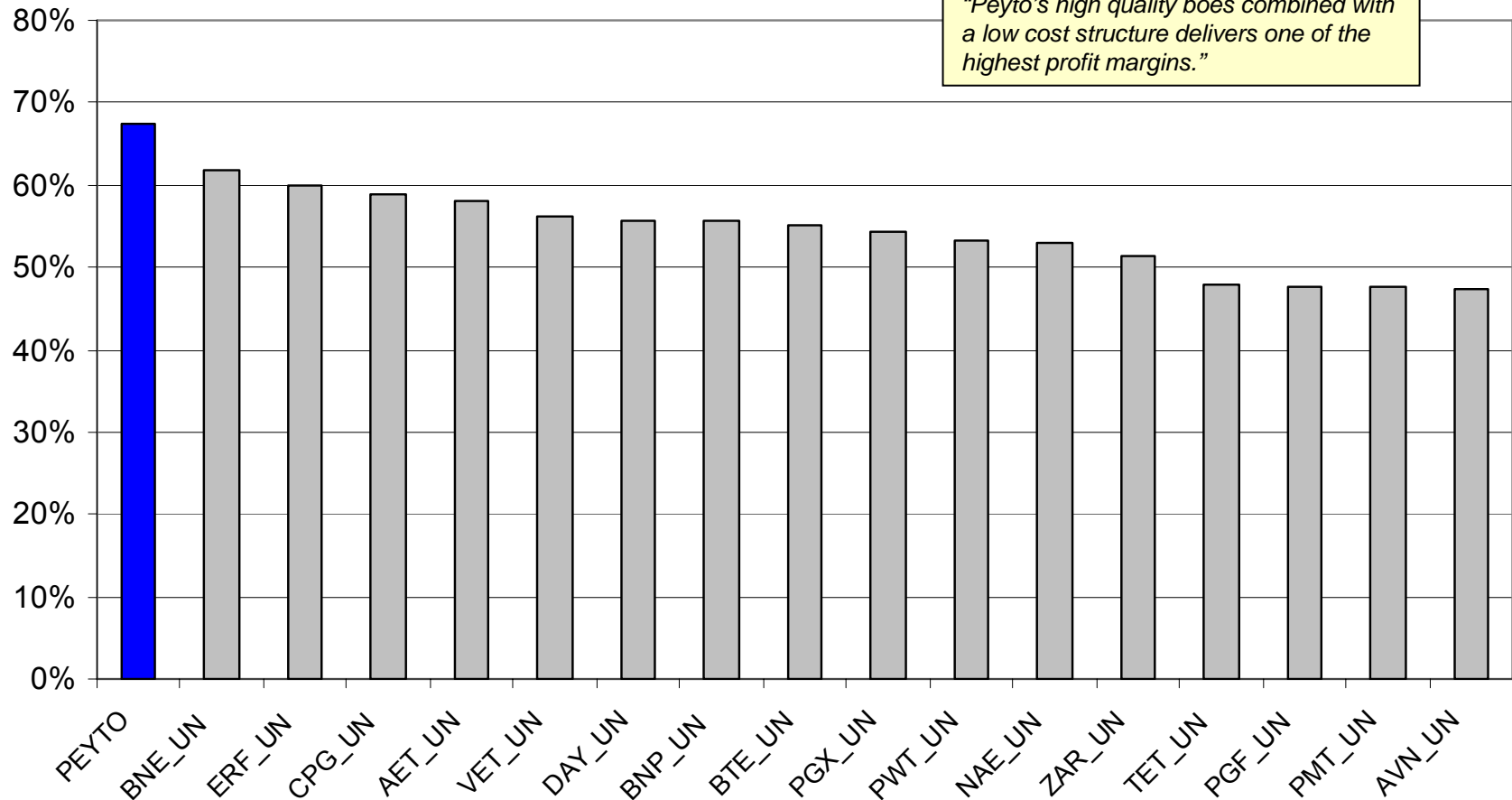
# Profit Margin

## Industry Comparison



### Q3 2008 Profit Margin

*"Peyto's high quality boes combined with a low cost structure delivers one of the highest profit margins."*



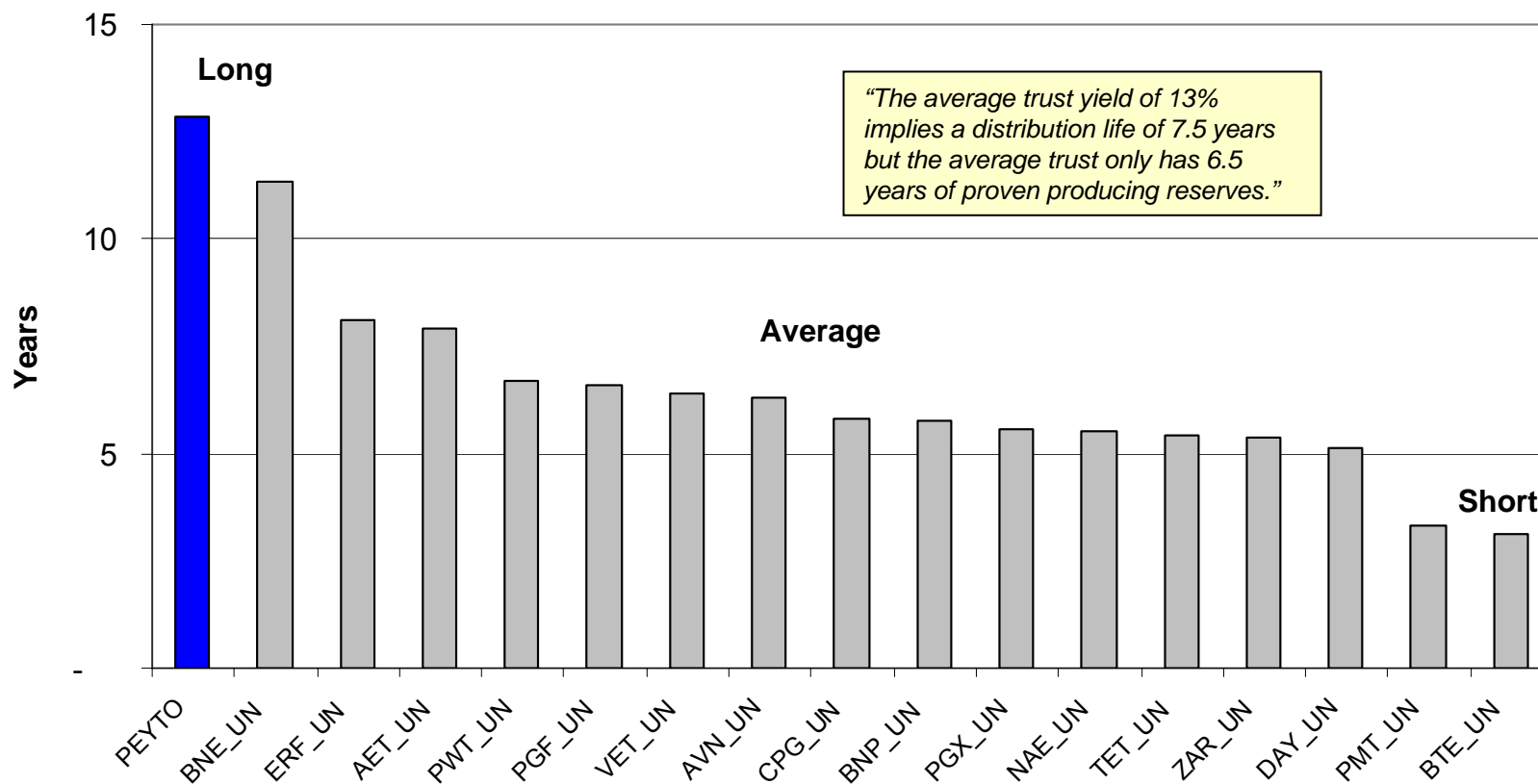
Cashflow Netback divided by revenue.

# Reserve Life

Industry Comparison, Proven Producing Reserve Life



2007 Year End Proven Producing Reserve Life



# Producing Life

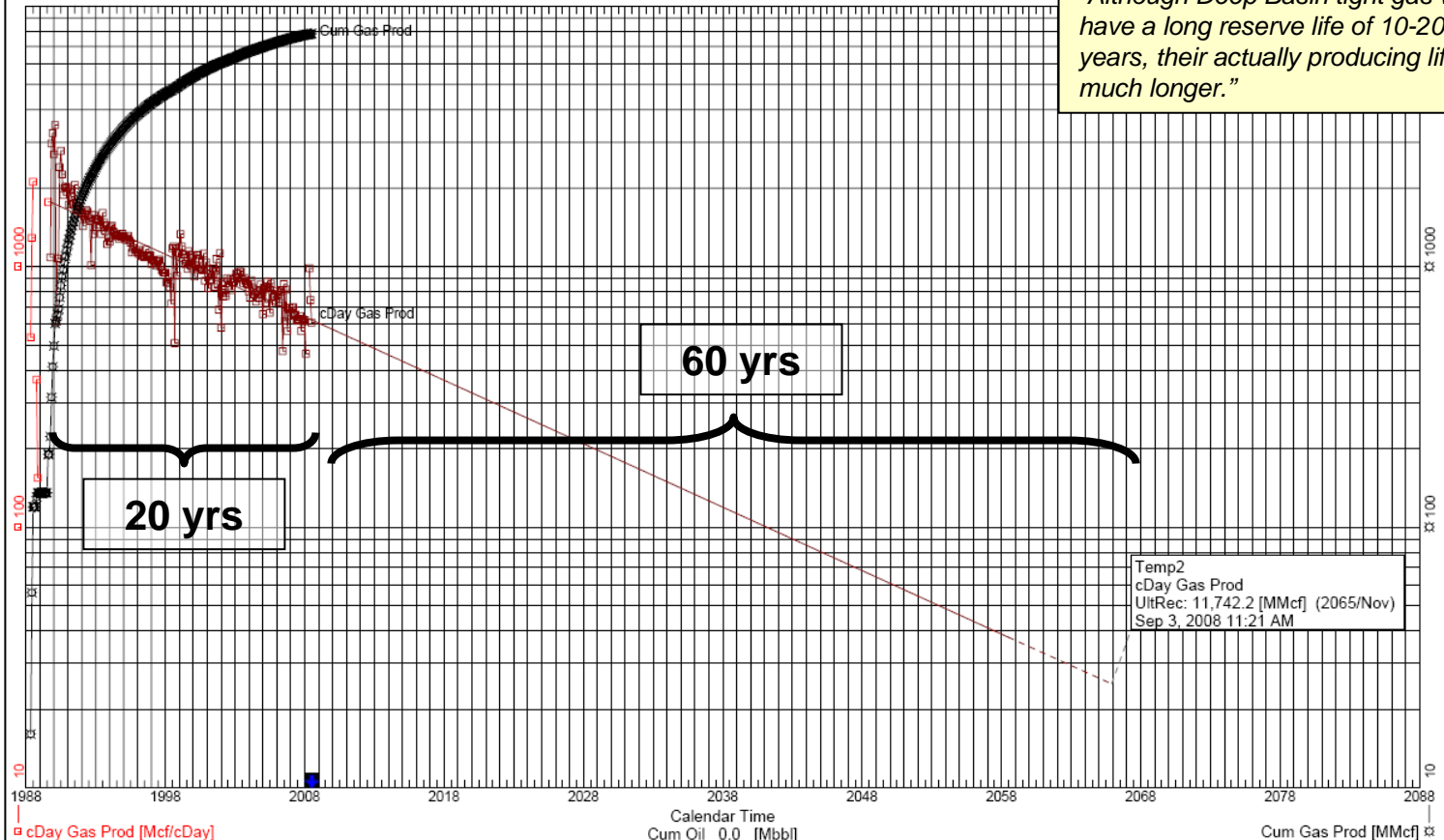
## Cardium Example



Group: <untitled>  
 Well: **00/16-29-054-21W5/0**  
 Name: ESSO SUNDANCE 16-29-54-21  
 Primary: GAS Status: GAS PROD  
 First On: 1988/Apr Last Data: 2008/Jun

Field: 879 SUNDANCE  
 Pool: 176260 BLRV,CRDM,VKNG,MNVL & JRSC MU#1  
 Unit: N/A  
 Oper: 4803 TALISMAN ENERGY INC.  
 Source Date: n/a

*“Although Deep Basin tight gas wells have a long reserve life of 10-20 years, their actually producing life is much longer.”*



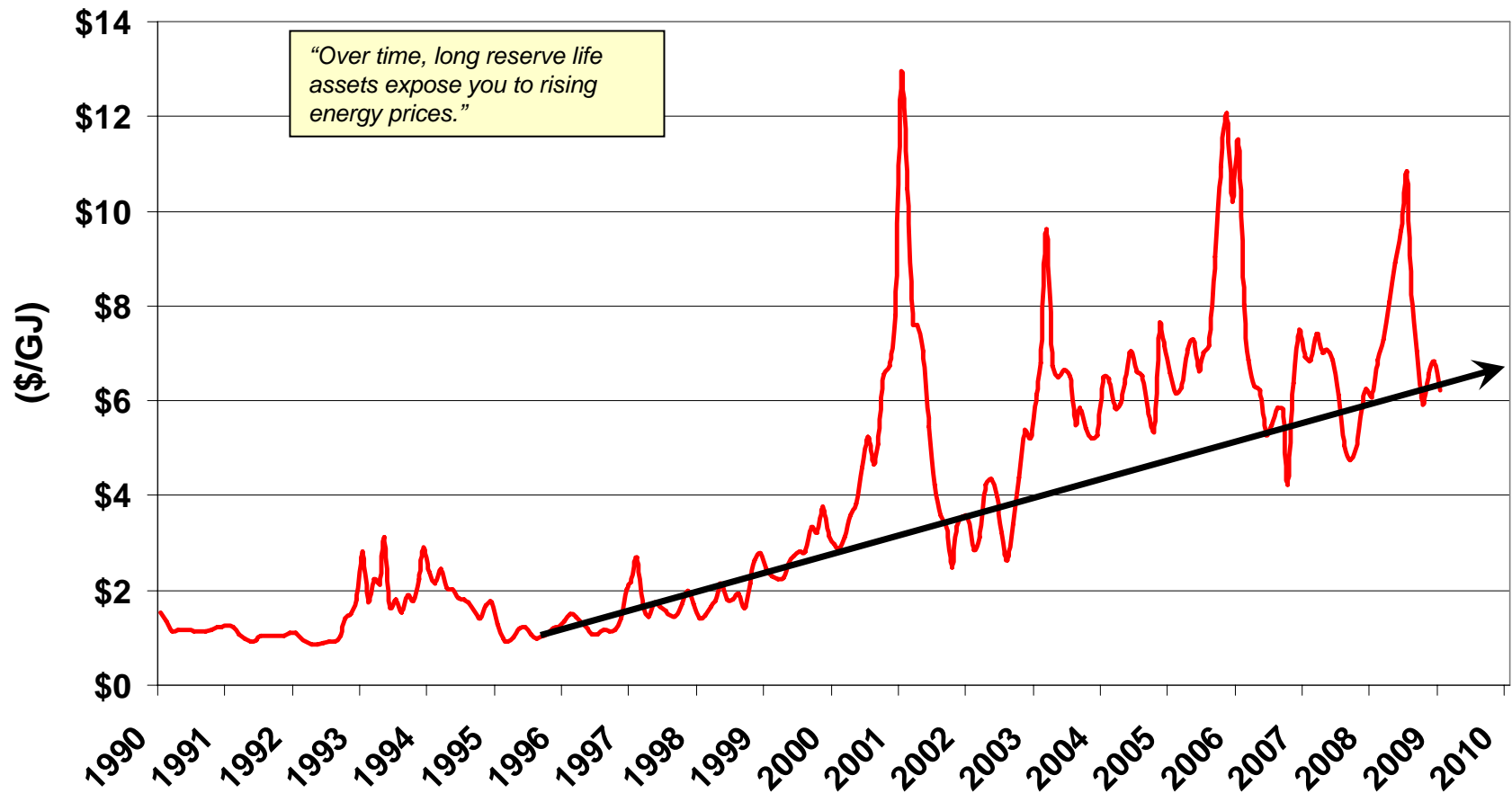
Qi 621.2 [Mcf/cDay]  
 Rem Rec 3,897.3 [MMcf]

Qf 25.0 [Mcf/cDay]  
 Ult Rec 11,742.2 [MMcf]

Serv 100.0%  
 Exp 5.456%/Yr

# Natural Gas Prices

*Historical AECO Gas Price*



# Product Marketing

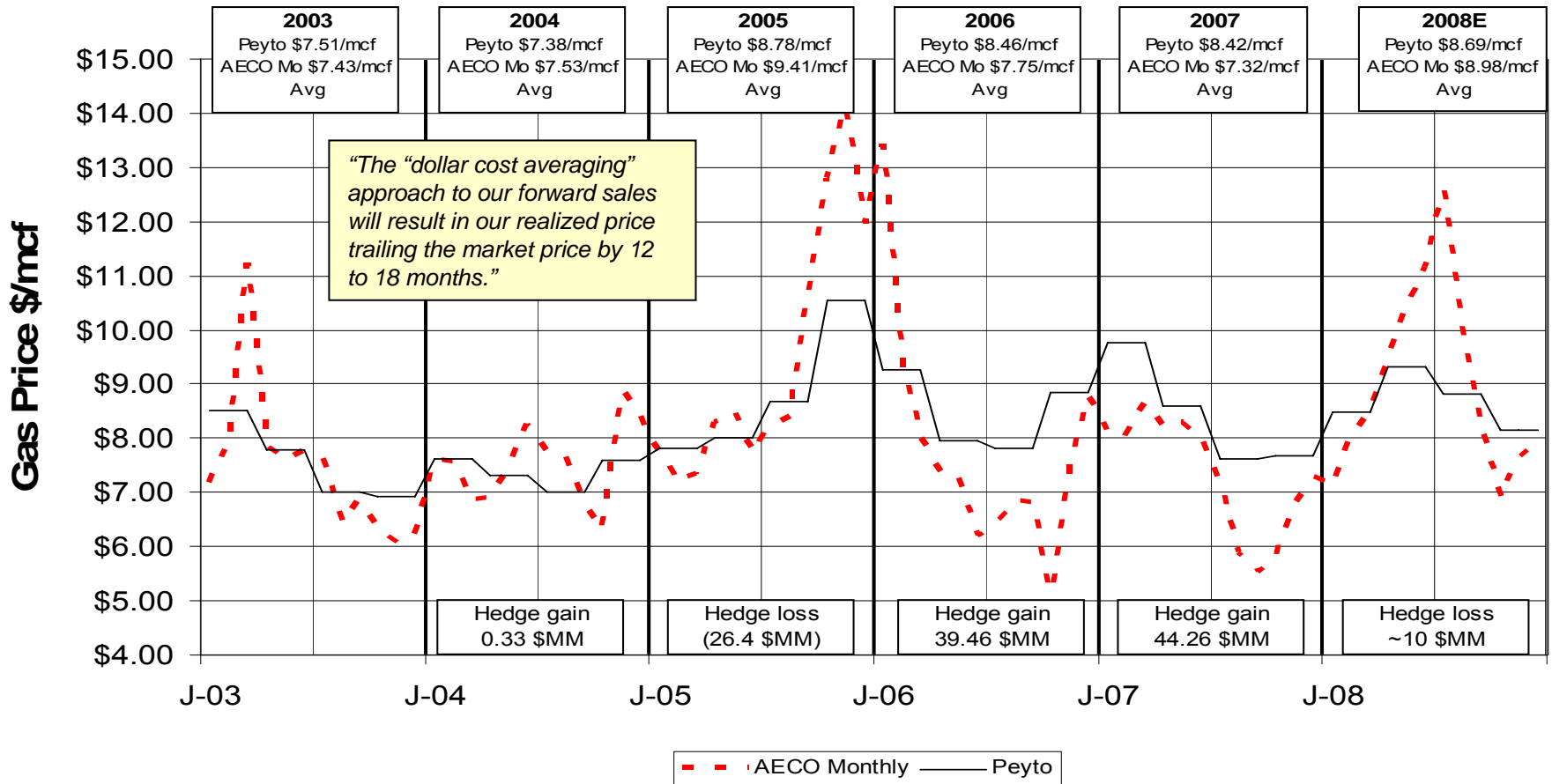
## *Philosophy*



Peyto's marketing strategy is designed to smooth out short term fluctuations in the price of both natural gas and natural gas liquids through future sales. It is meant to be methodical and consistent and to avoid speculation. This forward price averaging gives stability to both our monthly distributions and capital expenditure program.

The forward price averaging is meant to be on roughly 70% of current production net of royalties, until January 1<sup>st</sup> 2009, or a little more than 50% of the absolute current production. The forward average price is typically made up of fifteen to twenty transactions entered into over a 24 month period. Peyto sells its contracts in either the 7 month summer or the 5 month winter season.

# Alberta gas Price History



# Product Marketing

## Gas



Year	Season	Month	Energy (GJ/d)	Volume (E3m3/d)	Volume (MMscfd)	Price (\$/GJ)	Price (\$/mcf)	Look Forward	
								Average Volume (MMscfd)	Average Price (\$/mcf)
2008	Winter	Nov	55,000	1,324	47	\$ 8.02	\$ 9.38	21	\$ 9.57
		Dec	55,000	1,324	47	\$ 8.02	\$ 9.38	20	\$ 9.58
Jan		55,000	1,324	47	\$ 8.02	\$ 9.38	19	\$ 9.60	
Feb		55,000	1,324	47	\$ 8.02	\$ 9.38	18	\$ 9.63	
Mar		55,000	1,324	47	\$ 8.02	\$ 9.38	17	\$ 9.65	
2009	Summer	Apr	40,000	963	34	\$ 8.31	\$ 9.72	15	\$ 9.69
		May	40,000	963	34	\$ 8.31	\$ 9.72	14	\$ 9.68
		Jun	40,000	963	34	\$ 8.31	\$ 9.72	14	\$ 9.68
		Jul	40,000	963	34	\$ 8.31	\$ 9.72	13	\$ 9.67
		Aug	40,000	963	34	\$ 8.31	\$ 9.72	12	\$ 9.67
		Sep	40,000	963	34	\$ 8.31	\$ 9.72	10	\$ 9.66
		Oct	40,000	963	34	\$ 8.31	\$ 9.72	9	\$ 9.64
		Nov	20,000	482	17	\$ 7.82	\$ 9.15	8	\$ 9.62
		Dec	20,000	482	17	\$ 7.82	\$ 9.15	7	\$ 9.69
		2010	Winter	Jan	20,000	482	17	\$ 7.82	\$ 9.15
Feb	20,000			482	17	\$ 7.82	\$ 9.15	5	\$ 9.94
Mar	20,000			482	17	\$ 7.82	\$ 9.15	5	\$ 10.16
Summer	Apr		-	-	-		\$ -	4	\$ 10.57
	May		-	-	-		\$ -	4	\$ 10.57
	Jun		-	-	-		\$ -	4	\$ 10.57
	Jul		-	-	-		\$ -	5	\$ 10.57
	Aug		-	-	-		\$ -	5	\$ 10.57
	Sep		-	-	-		\$ -	6	\$ 10.57
	Oct		-	-	-		\$ -	7	\$ 10.57
Winter	Nov	10,000	241	9	\$ 9.03	\$ 10.57	9	\$ 10.57	
	Dec	10,000	241	9	\$ 9.03	\$ 10.57	9	\$ 10.57	
2011	Winter	Jan	10,000	241	9	\$ 9.03	\$ 10.57	9	\$ 10.57
		Feb	10,000	241	9	\$ 9.03	\$ 10.57	9	\$ 10.57
		Mar	10,000	241	9	\$ 9.03	\$ 10.57	9	\$ 10.57

•Assuming an Average Heating Value of 1.17 GJ/mcf for Peyto's gas

# Tax Efficiency

## *Exploration Tax Credits*



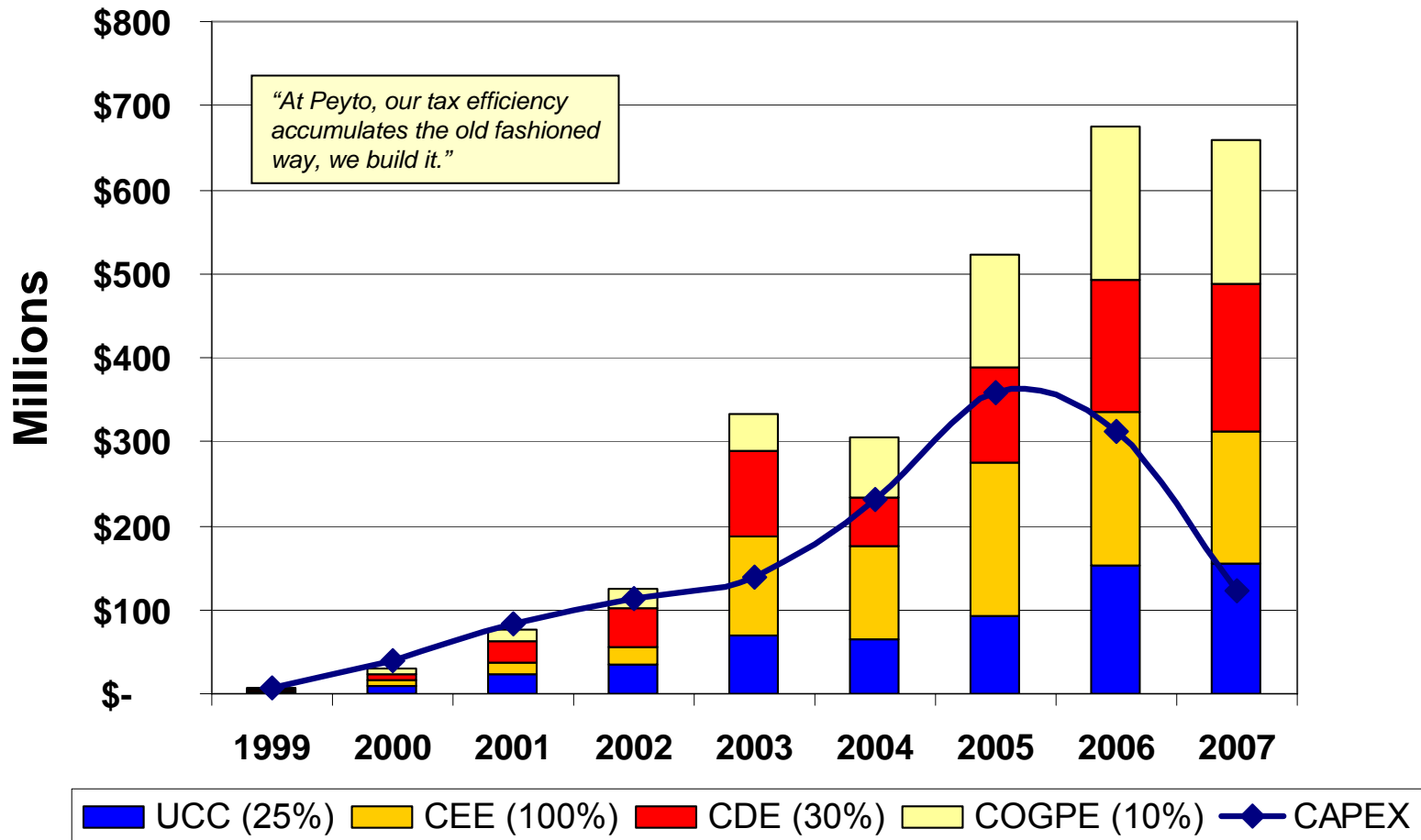
- **COGPE** – Canadian Oil and Gas Property Expense
  - 10% per annum of the declining balance
  - Cost of purchasing producing oil and gas reserves and unproven P&NG properties
- **CEE** – Canadian Exploration Expense
  - 100% in the year incurred or carried forward
  - Cost of drilling exploratory wells plus geological and geophysical expenses
- **CDE** – Canadian Development Expense
  - 30% per annum of the declining balance
  - Cost of drilling development wells
- **UCC** – Undepreciated Capital Cost
  - 25% per annum of the declining balance
  - Cost of gas or oil well equipment, gathering lines and field processing plants

# Keys to Sustainability

## Accumulating Tax Pools



### Peyto Year End Tax Pools





## **Peyto Exploration and Development Corp. (PEDC)**

- **An Exploration Company**
  - Explore for and develop new natural gas reserves
- **A Production Company**
  - Efficiently operate and produce the reserves we find

# Disclaimer

## Forward Looking Statements



*Statements in this presentation contain forward-looking information including expectations of future production, reserves, components of distributable cash, cash flow and earnings, completion dates of construction and development projects, drilling and exploration plans, timing and amounts of capital expenditures and future debt levels. Readers are cautioned that assumptions used in the preparation of such information may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted, as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of Peyto. These risks include, but are not limited to; the risks associated with the oil and gas industry, commodity prices and exchange rate changes. Industry related risks include, but are not limited to; operational risks in exploration, development and production, delays or changes in plans, risks associated with the uncertainty of reserve estimates, health and safety risks and the uncertainty of estimates and projections of production, costs and expenses. These and other risks are described in Peyto's 2005 annual information form and other documents Peyto files with the Canadian security regulatory authorities. The reader is cautioned not to place undue reliance on any forward-looking information. Peyto undertakes no obligation to update or revise any forward-looking statements except as required by applicable securities laws.*

*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.*

*Boes may be misleading, particularly if used in isolation. A boe conversion ratio of six mcf to one bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. This conversion factor is an industry accepted norm and is not based on either energy content or current prices.*

*Investors are further cautioned that the preparation of financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") requires management to make certain judgements and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. Estimating reserves is also critical to several accounting estimates and requires judgments and decisions based upon available geological, geophysical, engineering and economic data. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes. Cash flow, funds from operations and operating netbacks are not recognized measures under GAAP. Management believes that in addition to net income, cash flow, funds from operations and operating netbacks are useful supplemental measures as they demonstrate Peyto's ability to generate the cash necessary to pay cash distributions, repay debt or fund future growth through capital investment. Investors are cautioned, however, that these measures should not be construed as an alternative to net income determined in accordance with GAAP as an indication of Peyto's performance. Peyto's method of calculating these measures may differ from other companies or trusts and, accordingly, they may not be comparable to measures used by other companies or trusts. The information contained in this presentation does not purport to be all-inclusive or to contain all information that a prospective investor may require. Prospective investors are encouraged to conduct their own analyses and reviews of Peyto and of the information contained in this presentation. Without limitation, prospective investors should consider the advice of their financial, legal, accounting, tax and other advisors and such other factors that they consider appropriate in investigating and analyzing Peyto.*