NEWS RELEASE

FEBRUARY 13, 2013 **SYMBOL: PEY - TSX**

PEYTO ADDS 30,000 BOE/D IN 2012 REPLACING 527% OF PRODUCTION

Peyto Exploration & Development Corp. ("Peyto" or the "Company") is pleased to present the results and analysis of the independent reserve report effective December 31, 2012. The evaluation encompassed 100% of Peyto's reserve assets and was conducted by InSite Petroleum Consultants ("InSite").

Peyto's capital program for 2012 was the largest in the Company's 14 year history with $452 million spent on developing Peyto's assets and $166 million (net of dispositions) spent acquiring Open Range Energy Corp. ("Open Range"). As a result, reserves per share grew in all categories with total reserves exceeding 2.35 Trillion Cubic Feet equivalent ("TCFe") or 392 mmboe at year end.

Historical

- Since the Company's inception in 1998, Peyto has explored for and discovered 2.9 TCFe of Alberta Deep Basin natural gas reserves, over 50% of which has now been developed. Each year the Company invests in the discovery of new reserves and the efficient and profitable development of existing reserves into high netback natural gas production.
- A total of $2.875 billion has been invested in the acquisition and development of the 1.52 TCFe of developed reserves at an average cost of $1.89/MCFe, while a weighted average field netback[1] of $5.24/MCFe has resulted in a cumulative recycle ratio of 2.8 times.
- Based on the December 31, 2012 evaluation, the debt adjusted, Net Present Value of the Proved plus Probable Additional reserves ("P+P NPV" - debt adjusted, 5% discount) was $34/share, comprised of $20/share of developed reserves and $14/share of undeveloped reserves.

2012 Highlights

- For the year ended December 31, 2012, Peyto invested $452 million of capital to build a record 25,700 boe/d of new production[1] at a cost of $17,600/boe/d. This is the fourth year in a row that Peyto has built new production for less than $18,000/boe/d, inclusive of land, seismic, facilities and all well costs. In addition, Peyto invested $166 million (net of disposition) to purchase Open Range whose production totaled 4,300 boe/d at December 31, 2012, for a cost of $38,600/boe/d. The combined capital efficiency was $20,600/boe/d.
- The Proved Producing ("PP"), Finding, Development and Acquisition ("FD&A") cost, inclusive of additions, revisions and production was $2.22/MCFe ($13.34/boe) while the average field netback[1] was $3.46/MCFe ($20.75/boe), resulting in a 1.6 times recycle ratio. PP F&D cost prior to the Open Range acquisition was $2.11/MCFe ($12.68/boe).
- Peyto replaced 414% of annual production with new Total Proved ("TP") reserves at a FD&A cost of $2.04/MCFe ($12.24/boe) and 527% of annual production with new Proved plus Probable Additional ("P+P") reserves at a FD&A cost of $1.68/MCFe ($10.07/boe) (including increases in Future Development Capital ("FDC") of $207 million and $247 million for the respective categories). For comparative purposes, FD&A costs before changes in FDC were $1.53/MCFe ($9.17/boe) and $1.20/MCFe ($7.19/boe), respectively.
- Company reserves increased by 24%, 23% and 22% to 0.9 TCFe, 1.7 TCFe and 2.4 TCFe for PP, TP and P+P, respectively. Per share reserves were up 15%, 14%, and 13% for these respective categories.
- The Reserve Life Index ("RLI") for the PP, TP and P+P reserves was maintained at 9, 15 and 22 years.
- At year end, P+P reserves of 392 mmboes (inclusive of 507 future locations) had been assigned to just 13% of Peyto's total Deep Basin rights.

2013 Capital Budget

- Peyto is currently on track with its 2013 budgeted capital program of $450 to $500 million and is expecting to drill approximately 100 gross (85 net) wells. These wells are forecast to add between 25,000 boe/d and 29,000 boe/d of new production by the end of the year.

[1]*Capital Expenditure, Field Netback (Revenue less Royalties, Operating costs and Transportation), and Production are estimated and remain unaudited at this time.*
[2]*Recycle Ratio is Field Netback divided by FD&A.*

2012 RESERVES

The following table summarizes Peyto's reserves and the discounted Net Present Value of future cash flows, before income tax, using variable pricing, at December 31, 2012.

					Before Tax Net Present Value ($thousands) Discounted at			
Reserve Category	**Gas (mmcf)**	**Oil & NGL (mstb)**	**BCFe (6:1)**	**MBOE (6:1)**	**0%**	**5%**	**8%**	**10%**
Proved Producing	802,315	23,772	945	157,491	$4,767,288	$2,806,394	$2,253,628	$1,998,082
Proved Non-producing	14,379	369	17	2,765	$81,116	$38,250	$26,696	$21,680
Proved Undeveloped	560,468	22,752	697	116,163	$2,682,567	$1,321,680	$901,318	$702,492
Total Proved	1,377,163	46,892	1,659	276,419	$7,530,971	$4,166,323	$3,181,642	$2,722,254
Probable Additional	595,793	16,376	694	115,674	$3,491,750	$1,565,561	$1,072,704	$857,665
Proved + Probable Additional	1,972,956	63,268	2,353	392,094	$11,022,721	$5,731,885	$4,254,346	$3,579,919

Note: Based on the InSite report effective December 31, 2012. Tables may not add due to rounding.

ANALYSIS

On behalf of shareholders, Peyto has analyzed the reserve evaluation in order to answer three fundamental questions.

1. Base Reserves - How did the "base reserves" that were on production at the time of the last reserve report perform during the year, and how did any change in commodity price forecast affect their value?
2. Value Creation - How much value did the 2012 capital investments create, both in current producing reserves and in undeveloped potential?
3. Growth and Income - Are the projected cash flows capable of funding the growing number of undeveloped opportunities and a sustainable dividend stream to shareholders without sacrificing Peyto's financial flexibility?

<u>Base Reserves</u>

Peyto's existing Proved Producing reserves at the start of 2012 (base reserves) were evaluated and adjusted for 2012 production as well as any technical revisions resulting from the additional twelve months of data. As part of InSite's independent engineering analysis, all 756 producing entities were evaluated. These producing wells and zones represent a total gross Estimated Ultimate Recoverable (EUR) volume of 1.4 TCF plus associated liquids. In aggregate, Peyto is pleased to report that its total base reserves continue to meet with expectation, which increases the confidence in the prediction of future recoveries.

For 2013, InSite is forecasting the total base production (all wells on production at Dec. 31, 2012) to decline to approximately 37,000 boe/d by Dec. 31, 2013. Assuming the base production started the year at 57,000 boe/d (actual production was lower due to plant outages) then this implies a base decline rate of 35% over the first year. This high decline rate is similar to last year and to be expected as Peyto deploys increasing amounts of capital. The historical base decline rates and capital programs are shown in the following table:

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013F
Base Decline (%/yr)	31%	27%	30%	29%	23%	26%	20%	22%	33%	35%	35%
Capital Expenditure ($MM)	$139	$231	$358	$312	$122	$139	$73	$261	$379	$618	$500

**The base decline represents the aggregate annual decline of all wells on production at the end of the previous year.*

The commodity price forecast used by the independent engineers in this year's evaluation was lower than last year which had the effect of reducing the Net Present Value of all reserve categories. InSite's Alberta spot natural gas price forecast for the next 15 years, which begins at $3.13/MMBTU, is on average 13% lower today than a year ago, while their forecast for Alberta Condensate price, which accounts for over 50% of Peyto's total natural gas liquid production and starts at $97.20/bbl, is on average 14% lower. The debt adjusted NPV, discounted at 5%, of last year's Proved Producing reserves, decreased 20% due to this change in commodity price forecasts, as described in the following value reconciliation.

InSite's price forecast used in the variable dollar economics is available on their website at www.insitepc.com.

Value Creation/Reconciliation

During 2012, Peyto invested a total of $618.0 million. The Company spent $451.6 million on exploration and development activity and $166.3 million (net of $20.9 million in divestitures) on the acquisition of Open Range. By evaluating the economic results of these 2012 capital investments, it allows Peyto to determine the best use of capital on a go-forward basis, and illustrates the potential returns that can be generated from future undeveloped opportunities.

Exploration and Development Activity

Of the total capital invested in exploration and development activities, 12% was spent on new lands, seismic and facilities, while the remaining 88% was spent developing existing reserves and exploring for new reserves. Of the 86 wells drilled, 60 (53 net) were previously identified as undeveloped reserves in last year's reserve report (43 Proved, 17 Probable Additional). The remaining 26 wells were not recognized in last year's report as they were deemed by InSite to be too exploratory in nature. The undeveloped reserves booked to the 60 locations at year end 2011 totaled 180.9 BCFe (3.0 BCFe/well) of Proved Undeveloped plus Probable Additional reserves for a forecast capital investment of $294.9 million ($1.63/Mcfe). In actuality, $277.7 million of capital ($1.42/Mcfe) was spent on these 60 wells during 2012, yielding a Proved Producing plus Probable Additional volume of 196.1 BCFe (3.3 BCFe/well). With less capital yielding even more reserves, the development of these 60 booked locations produced an even better result than was originally projected. This analysis helps to validate the accuracy of the reserve and capital assignments of past undeveloped locations and provides confidence in the quality of the estimates for future undeveloped locations.

Corporate Acquisition Activity

On August 14, 2012 Peyto closed the acquisition of Open Range for an effective total capital cost of $187.2 million. The acquisition was conducted pursuant to a plan of arrangement with Peyto exchanging 0.0723 Peyto shares for each Open Range share (5.4 million Peyto shares total) and assuming $75 million in net debt (inclusive of transaction costs). On December 1, 2012 Peyto disposed of some minor non-core Open Range assets in the Waskahigan area for total proceeds of $20.9 million which effectively lowered the cost of the acquisition at year end to $166.3 million. At December 31, 2012 the acquired assets were producing 4,300 boe/d (net of the disposed volumes) and were assigned Proved Producing reserves of 10.0 mmboes. These reserves reflect both wells that were on production and evaluated by the previous independent engineers on December 31, 2011 as well as the new 2012 drilling conducted by Open Range up to the acquisition date, both adjusted for production to December 31, 2012. The reserve assignments by InSite Petroleum Consultants as of December 31, 2012 were consistent with the assignments given by the previous engineers a year earlier for the same group of wells, further illustrating the predictability of the Deep Basin resource plays.

Value Reconciliation

In order to measure the success of all of the capital invested in 2012, it is necessary to quantify the total amount of value added during the year and compare that to the total amount of capital invested. The independent engineers have run last year's reserve evaluation with this year's price forecast to remove the change in value attributable to both commodity prices and changing royalties. This approach isolates the value created by the Peyto team from the value created (or lost) by those changes outside of their control. Since the capital investments in 2012 were funded from a combination of cash flow, debt and equity, it is necessary to know the change in debt and the change in shares outstanding to see if the change in value is truly accretive to shareholders.

At year end 2012, Peyto's estimated net debt had increased by $196.8 million to $662.4 million while the number of shares outstanding had increased by 10.3 million shares to 148.7 million shares. The change in debt includes all of the capital expenditures, as well as acquisitions, and the total fixed and performance based compensation paid out during the year. Although these estimates are believed to be accurate, they remain unaudited at this time and are subject to change.

Based on this reconciliation of changes in BT NPV, the Peyto team was able to create $963 million of Proved Producing, $1.36 billion of Total Proven, and $2.0 billion of Proved plus Probable Additional undiscounted reserve value, with $618 million of capital investment. The ratio of capital expenditures to value creation is what Peyto refers to as the NPV recycle ratio, which is simply the undiscounted value addition, resulting from the capital program, divided by the capital investment. For 2012, the Proved Producing NPV recycle ratio is 1.6.

The following table breaks out the value created by Peyto's capital investments and reconciles the changes in debt adjusted NPV of future net revenues using forecast prices and costs as at December 31, 2012.

	Proved Producing			Total Proved			Proved + Probable Additional		
($millions) Discounted at	0%	5%	10%	0%	5%	10%	0%	5%	10%
Before Tax Net Present Value at Beginning of Year ($millions) Dec. 31, 2011 Evaluation using InSite Jan. 1, 2012 price forecast, less debt	**$4,344**	**$2,159**	**$1,326**	**$7,236**	**$3,507**	**$2,030**	**$10,790**	**$5,018**	**$2,825**
Per Share Outstanding at Dec. 31, 2011 ($/share)	$31.40	$15.60	$9.58	$52.30	$25.35	$14.67	$77.99	$36.27	$20.42
2012 sales (revenue less royalties and operating costs)	**($338)**	**($338)**	**($338)**	**($338)**	**($338)**	**($338)**	**($338)**	**($338)**	**($338)**
Net Change due to price forecasts (using InSite Jan 1, 2013 price forecast)	**($864)***	**($432)***	**($283)***	**($1,393)***	**($723)***	**($478)***	**($2,061)***	**($1,027)***	**($657)***
Value Change due to discoveries (additions, extensions, transfers, revisions)	**$963**	**$756**	**$631**	**$1,363**	**$1,058**	**$845**	**$1,969**	**$1,416**	**$1,087**
Before Tax Net Present Value at End of Year ($millions) Dec. 31, 2012 Evaluation using InSite Jan. 1, 2013 price forecast, less debt	**$4,105**	**$2,144**	**$1,336**	**$6,869**	**$3,504**	**$2,060**	**$10,360**	**$5,070**	**$2,917***
Per Share Outstanding at Dec. 31, 2012 ($/share)	$27.61	$14.42	$8.99	$46.20	$23.57	$13.86	$69.69	$34.10	$19.63
Year over Year Change in Before Tax NPV/share	**-12%**	**-8%**	**-6%**	**-12%**	**-7%**	**-6%**	**-11%**	**-6%**	**-4%**
Year over Year Change in Before Tax NPV/share including Dividend ($0.72/share)	**-10%**	**-3%**	**1%**	**-10%**	**-4%**	**-1%**	**-10%**	**-4%**	**0%**

**figures have been corrected from the original press release dated February 13, 2013.*

Growth and Income

As a dividend paying growth corporation, Peyto's objective is to profitably grow the resources which generate sustainable income (dividends) for shareholders. In order for income to be more sustainable and grow, Peyto must profitably find and develop more reserves. Simply increasing production from the existing reserves will not make that income more sustainable. Reserve Life Index (RLI), or a reserve to production ratio, provides a measure of this long term sustainability.

During 2012, the Company was successful in replacing 284% of annual production with new PP reserves, which resulted in a 24% increase. Annual production increased 26%, from 12.9 mmboes to 16.3 mmboes, therefore the Proved Producing reserve life index remained effectively the same year over year. Similarly, the Total Proved and P+P reserve life index remained virtually the same at 15 and 22 years, respectively. By comparison, Peyto's Proved Producing reserve life is still one of the longest in the industry.

The following table highlights the Company's historical Reserve Life Index.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Proved Producing	10	9	11	12	13	14	14	11	9	9
Total Proved	13	12	14	14	16	17	21	17	16	15
Proved + Probable Additional	19	17	19	20	21	23	29	25	22	22

Future Undeveloped Opportunities

With the expansion of Peyto's exploration and development activity from $379 million in 2011 to $452 million in 2012, the Company has again been able to increase the pace that undeveloped opportunities are both recognized and developed. As a result, the number of future drilling locations in the reserve report has increased to 507 gross (401 net) locations from 437 gross (333 net) locations last year. Of these future locations, 67% are categorized by the independent reserve evaluators as Proven Undeveloped with the remaining 33% as Probable Undeveloped. The net reserves associated with the undeveloped locations total 1.18 TCFe (197 mmboes) while the total capital required to develop them is estimated at $2.0 Billion or $1.70/MCFe, This is forecast to create Net Present Value of $2.283 Billion (5% discount rate, post capital recovery) or $15.36 per share. The development schedule for the undeveloped reserves is shown in the following table of forecasted capital.

	Future Development Capital	
Year	Proved Reserves Undisc., ($Millions)	Proved+ Probable Additional Reserves Undisc., ($Millions)
2013	$377	$500
2014	$349	$420
2015	$286	$393
2016	$210	$375
2017	$93	$331
Thereafter	$3	$22
Total	$1,318	$2,041

The existing producing reserves (PP) are forecast to generate over $4.7 billion in undiscounted cash flow which should be more than sufficient to fund the $2.0 billion in future development capital, ensuring those reserve additions are accretive to shareholders.

PERFORMANCE RATIOS

The following table outlines the 2012 performance ratios for all three reserve categories.

	Proved Producing	**Total Proved**	**Proved + Probable Additional**
2012 FD&A Cost ($/boe) (including the change in FDC)	$13.34	$12.24	$10.07
3 yr ave. FD&A Cost incl. FDC ($/boe)	$12.90	$13.04	$11.54
Reserve Life Index (years) Q4 2012 average production† – 49,527 boe/d	9	15	22
Reserve Replacement Ratio 2012 production† – 16.297 million boes	2.8	4.1	5.3

† *Q4 and 2012 production are estimated and remain unaudited at this time.*

- FD&A (finding, development and acquisition) costs are used as a measure of capital efficiency and are calculated by dividing the capital costs for the period, including the change in undiscounted future development capital ("FDC"), by the change in the reserves, incorporating revisions and production, for the same period (eg. Total Proved ($618+$207)/(276.4-225.3+16.297) = $12.24).

- The reserve life index is calculated by dividing the reserves (in boes) in each category by the annualized average production rate in boe/year (eg. Proved Producing 157,491/(49.527x365) = 8.7 yrs). Peyto believes that the most accurate way to evaluate the current reserve life is by dividing the proved developed producing reserves by the actual fourth quarter average production. In Peyto's opinion, for comparative purposes, the proved developed producing reserve life provides the best measure of sustainability.

- The reserve replacement ratio is determined by dividing the yearly change in reserves before production by the actual annual production for the year (eg. Total Proved ((276.4-225.3+16.297)/16.297) =4.1).

RESERVES COMMITTEE

Peyto has a reserves committee, comprised of independent board members, that reviews the qualifications and appointment of the independent reserve evaluators. The committee also reviews the procedures for providing information to the evaluators. All booked reserves are based upon annual evaluations by the independent qualified reserve evaluators conducted in accordance with the COGE (Canadian Oil and Gas Evaluation) Handbook and National Instrument 51-101. The evaluations are conducted using all available geological and engineering data. The reserves committee has reviewed the reserves information and approved the reserve report.

2013 UPDATE

The North American natural gas surplus that sent Canadian gas prices tumbling to lows of $1.50/GJ in 2012, appears to have subsided, with prices recovering to the $3/GJ level. At these price levels, Peyto has a vast inventory of highly proven, development opportunities that can generate profitable growth in production, reserves and funds from operations, all on a per share basis, for many years to come.

Through innovation, creativity and technology, Peyto continues to drive costs down - both the cost to find and develop the Company's liquids rich, natural gas resource plays, as well as the cost to produce them to market. Peyto has proven that ownership and control of processing infrastructure is crucial to controlling costs and so it expects to continue to invest in new processing facilities to accommodate growing production volumes. This operational control also allows Peyto to modify and optimize existing and future facilities to extract the highest possible revenue from the various hydrocarbon products. For 2013, three new gas plants are planned, to add 90 mmcf/d of processing capacity, as well as initiating enhanced liquids recovery projects for our existing Nosehill and Wildhay gas plants.

Peyto believes that cost control, both the cost to develop and the cost to produce, is paramount to enhancing the value of all current and future reserves for shareholders. Timing the development of the reserves, ensures that a minimum amount of capital is used to generate the maximum possible return.

GENERAL

For more in depth discussion of the 2012 reserve report, an interview with the management will be available on Peyto's website by Friday, February 22, 2013. A complete filing of the Statement of Reserves (form 51-101F1), Report on Reserves (form 51-101F2), and Report of Management and Directors on Oil and Gas Disclosure (form 51-101F3) will be available in the Annual Information Form to be filed by the end of March 2013. Shareholders are encouraged to actively visit Peyto's website located at www.peyto.com. For further information, please contact Darren Gee, President and Chief Executive Officer of Peyto at (403) 237-8911, or Jim Grant, Investor Awareness, at (403) 451-4102.

This news release contains certain forward–looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: management's assessment of Peyto's future plans and operations, capital expenditures, the volumes and estimated value of Peyto's reserves, the life of Peyto's reserves, production estimates, the ability to enhance value of reserves for shareholders and ensure the reserves generate the maximum possible return. Forward-looking statements or information are based on a number of material factors, expectations or assumptions of Peyto which have been used to develop such statements and information but which may prove to be incorrect. Although Peyto believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because Peyto can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, the impact of increasing competition, the timely receipt of any required regulatory approvals, the ability of Peyto to obtain qualified staff, equipment and services in a timely and cost efficient manner, drilling results, field production rates and decline rates, the ability to replace and expand reserves through development and exploration, future commodity prices, currency, exchange and interest rates, regulatory framework regarding royalties, taxes and environmental matters and the ability of Peyto to successfully market its oil and natural gas products. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond these parties' control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Peyto's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of *them do so, what benefits that Peyto will derive therefrom. The forward-looking information and statements contained in this news release speak only as of the date of this news release, and Peyto does not assume any obligation to publicly update or revise any of the included forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.*

This news release contains information, including in respect of Peyto's 2013 capital program, which may constitute future oriented financial information or a financial outlook. Such information was approved by management of Peyto on November 6, 2012, and such information is included herein to provide readers with an understanding of the Company's anticipated capital expenditures for 2013. Readers are cautioned that the information may not be appropriate for other purposes.

BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 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.

Some values set forth in the tables above may not add due to rounding. It should not be assumed that the estimates of future net revenues presented in the tables above represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year.

The Toronto Stock Exchange has neither approved nor disapproved the information contained herein.