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**PRESS RELEASE
PEYTO EXPLORATION & DEVELOPMENT CORP.
ANNOUNCES \$150 MILLION EQUITY OFFERING**

CALGARY, ALBERTA (January 16, 2014) - Peyto Exploration & Development Corp. ("Peyto" or the "Company") (TSX: PEY) has today entered into an agreement with a syndicate of underwriters led by BMO Capital Markets, under which the underwriters have agreed to buy 4,420,000 common shares of the Company ("Common Shares") and sell to the public at a price of \$34.00 per Common Share, representing an aggregate amount of approximately \$150 million. The Company has granted the underwriters an option, exercisable at any time until 30 days following the closing of the offering, to purchase up to an additional 15% of the offering to cover over-allotments, if any.

Net proceeds from the offering will initially be used to pay down outstanding bank indebtedness and subsequently to fund Peyto's ongoing capital expenditures and for general corporate purposes. Closing is expected to occur on or about February 5, 2014. The closing is subject to the receipt of all necessary regulatory and stock exchange approvals.

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 closing date of the offering and the anticipated use of the net proceeds of the offering. The closing of the offering could be delayed if Peyto is not able to obtain the necessary stock exchange and other regulatory approvals on the timelines it has planned and 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 Peyto 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 Peyto's control. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. 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 Toronto Stock Exchange has neither approved nor disapproved the information contained herein.

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