

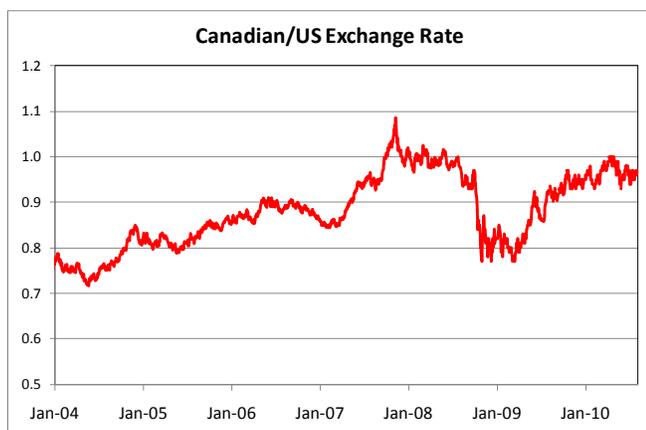
PEYTO Energy Trust

President's Monthly Report

August 2010

From the desk of Darren Gee, President & CEO

We are an exporting country. Like it or not, when our currency is at par with our main customer, it challenges the health of our economy. Especially if that customer has the ability to make it at home versus buy it abroad. That fact is becoming very evident with respect to natural gas. U.S. Henry Hub gas prices of \$4.90US/mmbtu are looking far better than Canadian AECO prices of \$3.70CND/GJ. If our dollar was at the \$0.80 US level, like it was 15 months ago, we'd be enjoying closer to \$4.50/GJ today; and perhaps be in a much more competitive position with our southern counterparts. Instead we just have to be that much more efficient.



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).

Capital Investment

2009/2010 Capital Summary (millions\$ CND)*

	2009	Jan	Feb	Mar	Q1	Apr	May	Jun	Q2
Land & Seismic	6	0	0	0	0	0	0	0	0
Drilling	44	10	9	12	31	3	4	11	18
Completions	23	4	7	6	16	6	0	4	10
Tie ins	10	4	2	3	8	1	1	3	4
Facilities	2	1	0	1	2	1	5	1	6
Drilling Credit Used	-6	-1	-1	-1	-3	-1	0	0	-2
Sub Total	78	18	17	20	55	10	9	19	37
Rem. Drilling Credit	-5	-3	-1	-1	-5	0	0	0	0
Total	73	15	16	19	50	10	9	19	37

*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. Tables may not add due to rounding.

Production

2010 Production ('000 boe/d)*

	Q1 10	Apr	May	Jun	Q2 10	Jul	Aug	Sept	Q3 10
Sundance	16.5	18.3	18.9	18.2	18.5	19.2			
Kakwa	2.8	2.9	2.7	2.6	2.7	2.8			
Other	1.3	1.1	1.1	1.0	1.1	1.0			
Total	20.6	22.3	22.7	21.8	22.3	23.0	-	-	-

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Built to Last

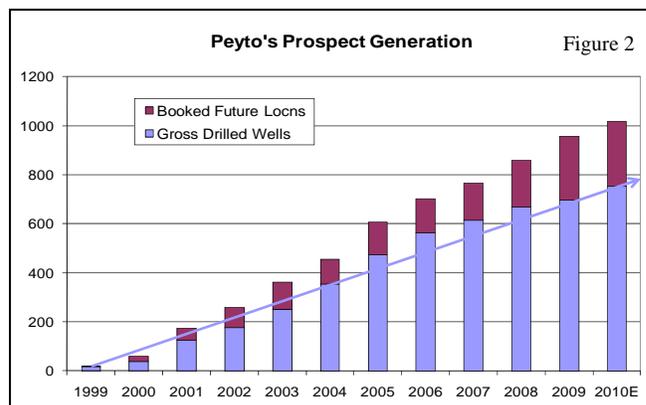
I've just returned from a few weeks in Europe with the family, touring the ancient ruins of countries like Italy, Greece, and Turkey, to name a few. And I was struck by the fact that Canada, and North America for that matter, are very new by comparison. Whereas we spend a lot of time talking about what we are *going to build*, they spend all theirs, showing off what they *have built*. From the ancient Greek city of Ephesus (now in Turkey) built in the 10th century BC, to the still very functional Panathinaiko Stadium in Athens, Greece (from 560 BC), those societies built infrastructure to last. Nobody talked about what they *could be* building back then, because it was, and still is, of no value.

It gets me thinking, about how to answer the question that I am posed with often these days. How many horizontal locations does Peyto have in the Wilrich, the Cardium, the Notikewin? What is the spacing going to be? What is the total potential inventory on the lands we have?

When the time comes to look back at the value we've created with the capital we've invested here at Peyto, it will not be about what we could have done. It will be about what we did. As always, the true value is in what is actually built. The wells that *were* drilled and completed. The pipelines that *were* run. The facilities that *were* constructed.

At Peyto, we are quite proud of the fact that virtually everything we own and operate today, we built. We haven't acquired assets that someone else built, like much of the rest of the industry. Instead we acted, on our own, internally generated ideas and created assets that will have some of the longest lives and highest values of any in the industry.

So perhaps more important than some future look at what we might do, is a historical look at what we have done. For example, the constant generation of drilling locations and the steady drilling and completion activity that has led to the 713 producing wells that Peyto owns today (see Figure 2).



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Or the installation of over 1000 wellsites and 930 km of pipelines that have been laid. Or even the 220 mmcf/d of processing capacity that has been constructed. (The photo below shows the recent expansion activity at Peyto's Nosehill gas plant, increasing capacity from 20 mmcf/d to 45 mmcf/d). This is the activity that creates real value.



Even if we had no more land to develop or locations in inventory, the fact remains that the Peyto team knows how to generate the ideas that lead to those opportunities. Therein lays the true value of Peyto.

Throughout history, there are those that do and those that just talk about doing. The history books only remember the former. As investors, we need to remember our history lessons.

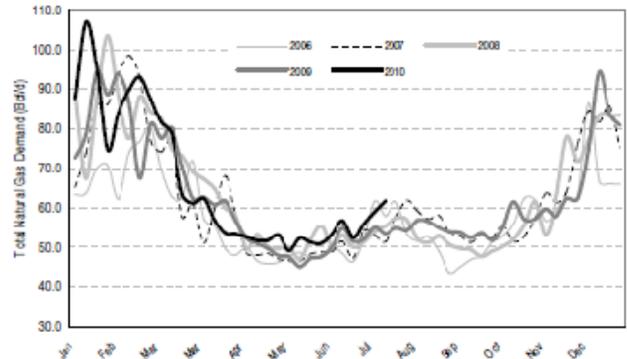
Activity Levels and Commodity Prices

These days it's all about the hot weather. Okay, maybe not here in Calgary, but down east and in the majority of the US, it's been a hot summer (42C in Rome wasn't exactly cool either!). That fact is evidenced by much higher "cooling degree days" than normal which is increasing the US demand for natural gas. Figures 3 and 4, courtesy of CIBC, show that latest uptick in demand which is helping to reduce storage injections and prevent the rapid fill up that was experienced last year. This increased demand is partially contributing to the firming of NYMEX spot natural gas prices.

Unfortunately we're not enjoying that same effect in Western Canada. Reduced production volumes from reduced activity are resulting in increased per unit pipeline tolls that only serve to widen the differential to NYMEX prices.

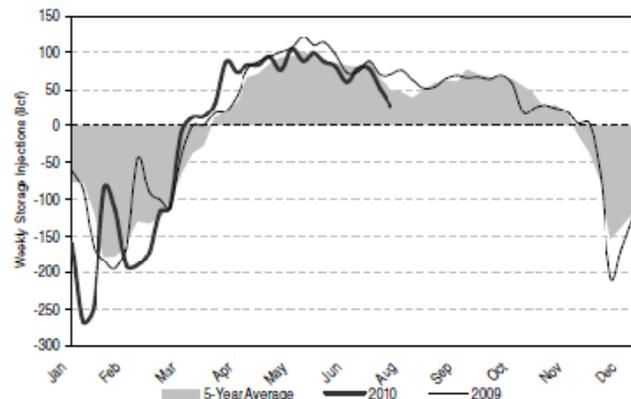
U.S. Total Natural Gas Demand

Figure 3



U.S. Injection/Withdrawal Trends

Figure 4



This is a similar environment to what we saw last year, where only the most efficient and cost effective producers can be active. That is why the rig utilization is under 50% in Western Canada. The following graph courtesy of Nickle's, Figure 5, shows that 2010 is only slightly better than 2009. But last year we saw an even lower summer gas price environment.

Figure 5

