

## NEWS RELEASE

SEPTEMBER 28, 2010

SYMBOL: PEY.UN – TSX

### PEYTO ENERGY TRUST ANNOUNCES CORPORATE CONVERSION DETAILS AND GUIDANCE FOR 2011

CALGARY, ALBERTA – Peyto Energy Trust ("Peyto" or the "Trust") is pleased to announce that its Board of Directors has approved a plan to convert the Trust to a corporation on December 31, 2010. Along with this conversion the Board has approved a capital program for 2011 ranging from \$250 to \$275 million. As part of a plan to deliver more return to investors through growth, the Board of Directors has decided to set the first quarter 2011 monthly dividend at \$0.06/share. Peyto's Chairman and co-founder, Don Gray, stated

*"Our ability to grow profitably has been significantly enhanced with horizontal drilling and multi-stage fracturing well technology. We have been implementing this technology on our extensive natural gas asset base over the past year with great success. Our plan going forward will be to maintain a strong balance sheet and see a greater amount of the total return for investors delivered through growth in reserves and production per share. We are confident that our new growth-oriented, dividend paying, corporate model will be in a stronger position to deliver an even greater total return to investors than has been achieved in the past."*

#### Total Return Model

Peyto has always tried to deliver the maximum total return to investors. For Peyto, that total return is made up of growth in the asset value per share plus cash distributions or dividends. History has shown when there is profitable growth in Peyto's production and reserves per share, that growth is reflected in the share or unit price. Over the past twelve years Peyto has delivered a total annual rate of return on investment of 116%, the best return of any public energy company in Canada. Even without factoring in the distribution, reserves and production per share or unit have grown at a compound annual rate of 54% and 43%, respectively. Since converting to an income trust in the summer of 2003, when the distribution component was added to the return model, over \$1.1 billion (\$10.51/unit) has been distributed back to unitholders.

#### 2010 Activity Update

Peyto is pleased to report that production recently reached 25,000 boe/d, up from 18,000 boe/d last September and is a direct result of the successful application of horizontal drilling and multi-stage fracturing well technology to Peyto's extensive natural gas resource plays. This is a significant milestone because it represents an increase of 30%/unit over the production level a year ago when this technology was first implemented.

The success over the past twelve months is clear evidence that horizontal multi-stage fracturing technology has reduced Peyto's cost to add new production by as much as 50% and enhanced the returns significantly. The current internal rate of return estimate for the 2010 capital program is 38% using first year gas and oil prices of C\$3.87/GJ and C\$80/bbl, respectively and the current future strip for subsequent years. So far, the cost to add new production for 2010 is \$17,000 per boe/d. The Trust is currently forecasting a 2010 exit rate of 28,000 boe/d, which would be an increase of 38%/unit from last year's exit rate. A significant number of new horizontal drilling locations have also been added as a result of the capital spent in 2010. At this time, over 400 horizontal drilling locations have been identified which would require a future capital investment of \$1.8 billion. At the current pace of drilling, it would take at least seven years to develop this inventory.

#### 2011 Outlook

At the end of 2010, pending necessary approvals, the Trust will be converting to a growth-oriented, dividend paying corporation. In order to maximize the total return, and maintain a strong balance sheet, a first quarter monthly dividend of \$0.06/share has been set. As a growth-oriented corporation, a greater portion of the total

return will come from the results of an expanded capital program which is intended to deliver significant growth in production and reserves per share. Peyto will continue to focus its capital investments on developing low operating cost, high netback reserves and production. The capital program for 2011 is expected to range between \$250 and \$275 million. It is forecast that production additions during 2011 will again cost \$17,000 per boe/d and should result in an exit 2011 production rate ranging between 33,000 and 37,000 boe/d.

### **Corporate Conversion Process**

Under the planned conversion, Peyto unitholders will receive one share in a dividend paying corporation for each Peyto trust unit they hold. The conversion is intended to be tax deferred for Canadian tax purposes and is proposed to be conducted by way of a plan of arrangement (the “Arrangement”) that will involve a unitholder meeting and vote. This meeting is scheduled for December 8, 2010. Pending unitholder, court and regulatory approval, Peyto Energy Trust will once again be traded as Peyto Exploration & Development Corp. in early January 2011. An information circular regarding the Arrangement is expected to be mailed to unitholders in November 2010.

### **Tax Implications**

According to SIFT conversion rules established by the Canadian Government, conversions from trusts to corporations that occur prior to January 1, 2013 will occur without any undue tax consequences to the trust or its investors. Taxable individual investors in Canada are expected to benefit from the enhanced dividend tax credit for eligible dividends, which will effectively lower their tax rate, while U.S. residents holding Peyto units in qualified retirement accounts are expected to be sheltered from the 15% withholding tax that currently applies to distributions. Peyto forecasts that it will have over \$850 million in tax pools at the time of conversion. These pools will be used to shelter taxable income in the corporation for the benefit of all shareholders.

Unitholders are encouraged to visit the Trust’s website at [www.Peyto.com](http://www.Peyto.com) to stay up to date on the progress of Peyto’s 2010 capital program through corporate presentations and monthly reports from the President.

Darren Gee  
President and CEO

Don T. Gray  
Chairman of the Board

### **Forward-Looking Statements**

*This press release contains forward-looking statements including statements pertaining to the proposed Arrangement (including the proposed structure of the Arrangement, the timing relating to the approval and implementation thereof, the benefits expected from the Arrangement for Peyto and its unitholders, and the tax effect of the Arrangement on Peyto and its unitholders), the corporation's proposed dividend policy (including the amount of dividend proposed to be paid and the ability of the corporation to sustain that dividend) and the current and future state of Peyto's business (including Peyto's ability to continue to grow its production and reserves). These statements are not guarantees of future performance and are based on current expectations and assumptions that involve a number of risks and uncertainties which could cause actual results to differ from those anticipated. These risks include, but are not limited to, general economic conditions, industry conditions, volatility of commodity prices, imprecision of reserve estimates, the efficiency of capital expenditure programs, the ability to access capital from internal and external sources, changes in regulatory regimes and decisions by regulatory authorities. Statements relating to the proposed Arrangement and dividend policy of the corporation are subject to additional risks, including failure to receive all necessary approvals to complete the Arrangement, changes in laws and regulatory regimes (including tax laws), and Peyto's ability to not only sustain its existing business but to continue to grow its production and reserves. Additional information on these and other factors that could affect the ability of Peyto to complete the Arrangement, Peyto's operations, financial results or distribution levels, and the corporation's dividend levels will be included in Peyto's information circular relating to the special meeting of unitholders and other reports to be filed with Canadian securities regulatory authorities which will be available through the SEDAR website at [www.sedar.com](http://www.sedar.com) and through the Trust's website at [www.peyto.com](http://www.peyto.com) in early November. These statements are made as of the date of this press release and Peyto undertakes no obligation to publicly update or revise any forward-looking statement except as required by applicable law.*

*This press release may also contain financial outlook information about prospective capital expenditures, results of operations, financial position or cash flows, which are based on assumptions about future events, including economic conditions and proposed courses of action, based on*

*management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this press release should not be used for the purposes other than which it is disclosed herein.*

*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.*