

NEWS RELEASE

FEBRUARY 18, 2011

SYMBOL: PEY - TSX

**PEYTO EXPLORATION & DEVELOPMENT CORP. ANNOUNCES
2010 UNITED STATES TAX INFORMATION**

CALGARY, ALBERTA –The following information is being provided to assist U.S. individual unitholders of Peyto Energy Trust ("Peyto") in reporting distributions received from Peyto during 2010 on their Internal Revenue Service ("IRS") Form 1040 - U.S. Individual Income Tax Return ("Form 1040") for 2010.

Peyto has not obtained a legal or tax opinion, nor has it requested a ruling from the IRS on these matters. The following summary is of a general nature only and is not intended to be legal or tax advice to any particular holder or potential holder of Peyto trust units. Anything contained in this notice concerning any U.S. federal income tax issue is not intended or written to be used, and it cannot be used, for the purpose of avoiding federal tax penalties under the U.S. Internal Revenue Code ("Code"). Holders or potential holders of Peyto trust units should consult their own legal and tax advisors as to their particular tax consequences of holding Peyto trust units.

Trust Units held outside of a Qualified Retirement Plan

For cash distributions relating to 2010 paid to United States unitholders, 72.77 percent of the distributions should be considered taxable as dividends and 27.23 percent of the distributions should be considered non-taxable return of capital for U.S. federal income tax purposes. After consulting with its tax advisors, Peyto believes that dividends paid by it should be considered "Qualified Dividends" under Section 1(h)(11) and should be eligible for the reduced U.S. dividend tax rate for U.S. individual unitholders who meet certain holding period requirements. However, the individual taxpayer's situation must be considered before making this determination. Qualified Dividends should be reported on Line 9(b) of the IRS Form 1040, unless the facts of the U.S. individual unitholder determine otherwise. Page 20 of the IRS 2010 Form 1040 instruction booklet provides examples of individual situations where the distributions would not be "Qualified Dividends". Where the distributions are not considered "Qualified Dividends" due to an individual's situation, the amount should be reported on Schedule B, Part II - Ordinary Dividends and Line 9(a) of your IRS Form 1040.

U.S. unitholders are encouraged to utilize the Qualified Dividends and Capital Gain Tax Worksheet provided by the IRS to determine the amount of tax applicable.

Canadian withholding taxes that have been withheld from the taxable portion of your distributions (as computed under Canadian tax principles) should be reported on Form 1116 "Foreign Tax Credit (Individual, Estate or Trust)". Amounts over-withheld should be claimed as a refund from the Canada Revenue Agency and should not be claimed as a

credit against your U.S. federal income tax liability. Information regarding the amount of Canadian tax withheld relating to 2010 distributions should be available through your investment advisor or other intermediary and is not available from Peyto.

Trust Units held within a Qualified Retirement Plan

There should be no amount that is required to be reported as income on an IRS Form 1040 where the Peyto trust units are held in a Qualified Retirement Plan.

The information in this release is not meant to be an exhaustive discussion of all possible income tax considerations, but a general guideline and is not intended to be legal or tax advice to any particular holder or potential holder of Peyto trust units. Holders or potential holders of trust units should consult their tax advisors as to their particular tax consequences of holding Peyto trust units.

Peyto is a natural gas weighted energy business. Peyto is committed to maintaining its emphasis on building value through the exploration and development of high quality gas properties.

Peyto common shares trade on the TSX under the symbol PEY.

We encourage you to actively visit Peyto's website located at www.peyto.com. For further information please contact:

Darren Gee
President and Chief Executive Officer
Phone: (403) 237-8911
Fax: (403) 451-4100

Certain information set forth in this document and Management's Discussion and Analysis, including management's assessment of Peyto's future plans and operations, contains forward-looking statements. 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. 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 Peyto will derive therefrom.