

FOR IMMEDIATE RELEASE SEPTEMBER 6, 2012

TSX SYMBOL: PEY

**PEYTO ANNOUNCES CLOSING OF PRIVATE PLACEMENT OF
SENIOR NOTES AND EXPANSION OF BORROWING BASE**

CALGARY, ALBERTA- Peyto Exploration & Development Corp. (TSX:PEY) (“Peyto”) announced today that it has issued CDN \$50 million of senior secured notes pursuant to a note purchase and private shelf agreement with Prudential Investment Management, Inc. The notes were issued by way of private placement and rank equally with Peyto's obligations under its bank facility. The notes have a coupon rate of 4.88% and mature on September 6, 2022. Interest will be paid semi-annually in arrears. Proceeds from the notes will be used to repay a portion of Peyto's outstanding bank debt.

Peyto is also pleased to announce that its syndicate of lenders has expanded the company's borrowing base to \$880 million of total borrowing capacity, subsequent to the completion of the Open Range Energy acquisition. Peyto's revolving bank facility has been increased to \$730 million while the total amount of senior secured notes issued under the private shelf agreement is now \$150 million. Peyto's syndicate of lenders, led by Bank of Montreal, includes: Union Bank, Canada Branch; Royal Bank of Canada; Canadian Imperial Bank of Commerce; HSBC Bank Canada; Toronto-Dominion Bank; Alberta Treasury Branches; and Canadian Western Bank.

As previously announced on August 14, 2012, Peyto has closed the acquisition of Open Range Energy. Drilling on the former Open Range lands is expected to commence by September 20, 2012 on the first of over 100 identified locations while pipeline activity has already connected Peyto third party processed production to the newly acquired facilities. Peyto now has eight drilling rigs running in the Deep Basin making it currently the most active deep gas driller in Alberta. This is made possible during the current period of depressed natural gas prices by Peyto's industry leading low cost advantage.

Shareholders and interested investors are encouraged to visit the Peyto website at www.Peyto.com to learn more about what makes Peyto one of North America's most exciting energy companies.

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Certain information set forth in this document, including the use of proceeds from the senior notes, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Peyto's 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 that Peyto will derive therefrom. The Toronto Stock Exchange has neither approved nor disapproved the information contained herein.