

NEWS RELEASE

FEBRUARY 12, 2014

SYMBOL: PEY - TSX

PEYTO PRODUCTION REACHES 75,000 BOE/D IN 2013, RESERVES TOP 467 MILLION BOES

Peyto Exploration & Development Corp. (“Peyto” or the “Company”) is pleased to present the results and analysis of the independent reserve report effective December 31, 2013. The evaluation encompassed 100% of Peyto’s reserve assets and was conducted by InSite Petroleum Consultants (“InSite”).

This year marks the company’s 15th year of profitable reserves development and the largest organic capital program in Peyto’s history. Reserves per share grew in all categories with total reserves now exceeding 2.8 Trillion Cubic Feet equivalent (“TCFe”) or 467.8 Million Barrels of Oil equivalent (“MMBOE”) at year end.

Historical

- Over the past 15 years, Peyto has explored for and discovered 3.5 TCFe of Alberta Deep Basin natural gas and associated liquids, over 55% of which has now been developed. Each year the Company invests in the discovery of new reserves and the efficient and profitable development of existing reserves into high netback natural gas production.
- In total, \$3.45 billion has been invested in the acquisition and development of the 2.0 TCFe of developed reserves at an average cost of \$1.76/MCFe, while a weighted average field netback¹ of \$4.93/MCFe has resulted in a cumulative recycle ratio² of 2.8 times.
- Based on the December 31, 2013 evaluation, the debt adjusted, Net Present Value of the company’s remaining Proved plus Probable Additional reserves (“P+P NPV” - debt adjusted, 5% discount) was \$38/share, comprised of \$23/share of developed reserves and \$15/share of undeveloped reserves.

2013 Highlights

- For the year ended December 31, 2013, Peyto invested \$578 million of capital to build a record 38,400 boe/d of new production¹ at a cost of \$15,100/boe/d. This is the fourth year in a row that Peyto has built new production for less than \$17,600/boe/d, inclusive of land, seismic, facilities and all well costs.
- Peyto developed over 246 BCFe (41 MMBOEs) of new Proved Producing (“PP”) reserves at a Finding, Development and Acquisition (“FD&A”) cost of \$2.35/MCFe (\$14.08/boe) while the average field netback¹ was \$3.65/MCFe (\$21.89/boe), resulting in a 1.6 times recycle ratio². Facility investments of \$112 million in 2013 represented 19% of the total capital expenditures, or double that of the previous 3 year average, which contributed to the 6% year over year increase in PP FD&A. Excluding the facility capital, the 2013 PP F&D was 3% lower than 2012.
- Peyto replaced 230% of annual production with new Total Proved (“TP”) reserves at a FD&A cost of \$2.23/MCFe (\$13.39/boe) and 450% of annual production with new Proved plus Probable Additional (“P+P”) reserves at a FD&A cost of \$1.86/MCFe (\$11.16/boe) (including increases in Future Development Capital (“FDC”) of \$87.9 million and \$508.7 million for the respective categories). For comparative purposes, FD&A costs before changes in FDC were \$1.94/MCFe (\$11.62/boe) and \$0.99/MCFe (\$5.93/boe), respectively.
- Company reserves increased by 12%, 10% and 19% to 1.1 TCFe, 1.8 TCFe and 2.8 TCFe for PP, TP and P+P, respectively. Per share reserves were up the same for these respective categories.
- The Reserve Life Index (“RLI”) for the PP, TP and P+P reserves decreased to 7, 12 and 19 years as production grew faster than reserves.
- At year end, P+P reserves of 468 MMboes (inclusive of 628 future locations) had been assigned to just 12% of Peyto’s total Deep Basin rights.

2014 Capital Budget

- Peyto is ahead of its 2014 budgeted volumes with current production of 75,000 boe/d. In total, the company anticipates investing \$575 to \$625 million, drilling approximately 110-122 gross wells, and adding 32,000 boe/d to 36,000 boe/d of new production by the end of the year.

¹Capital Expenditure, Field Netback (Revenue less Royalties, Operating costs and Transportation), and Production are estimated and remain unaudited at this time.

²Recycle Ratio is Field Netback divided by FD&A.

2013 RESERVES

The following table summarizes Peyto's reserves and the discounted Net Present Value of future cash flows, before income tax, using variable pricing, at December 31, 2013.

Reserve Category	Gas (mmcf)	Oil & NGL (mstb)	BCFe (6:1)	MBOE (6:1)	Before Tax Net Present Value (\$thousands) Discounted at			
					0%	5%	8%	10%
Proved Producing	921,408	23,314	1,061,292	176,882	\$5,100,751	\$3,156,464	\$2,580,906	\$2,309,672
Proved Non-producing	26,944	668	30,954	5,159	\$132,173	\$72,879	\$55,929	\$48,230
Proved Undeveloped	615,222	19,916	734,718	122,453	\$2,640,312	\$1,314,973	\$903,803	\$709,340
Total Proved	1,563,574	43,898	1,826,964	304,494	\$7,873,236	\$4,544,316	\$3,540,638	\$3,067,242
Probable Additional	840,368	23,283	980,064	163,344	\$4,361,816	\$2,042,451	\$1,422,742	\$1,146,143
Proved + Probable Additional	2,403,942	67,181	2,807,028	467,838	\$12,235,052	\$6,586,767	\$4,963,380	\$4,213,385

Note: Based on the InSite report effective December 31, 2013. Tables may not add due to rounding.

ANALYSIS

Each year Peyto analyzes the reserve evaluation in order to answer three basic but fundamental questions for shareholders:

1. Base Reserves - How did the "base reserves" that were on production at the time of the last reserve report perform during the year, and how did any change in commodity price forecast affect their value?
2. Value Creation - How much value did the 2013 capital investments create, both in current producing reserves and in undeveloped potential?
3. Growth and Income - Are the projected cash flows capable of funding the growing number of undeveloped opportunities and a sustainable dividend stream to shareholders without sacrificing Peyto's financial flexibility?

Base Reserves

Peyto's existing Proved Producing reserves at the start of 2013 (base reserves) were evaluated and adjusted for 2013 production as well as any technical revisions resulting from the additional twelve months of data. As part of InSite's independent engineering analysis, all 909 producing entities were evaluated. These producing wells and zones represent a total gross Estimated Ultimate Recoverable (EUR) volume of 1.8 TCF plus associated liquids. In aggregate, Peyto is pleased to report that its total base reserves continue to meet with expectation, which increases the confidence in the prediction of future recoveries.

For 2014, InSite is forecasting the total base production (all wells on production at Dec. 31, 2013) to decline to approximately 45,300 boe/d by December, 2014. This implies a base decline rate of 37% from December 2013.

This forecast decline rate is higher than 2013 as Peyto added more production in late Q4 2013 than originally planned. The historical base decline rates and capital programs are shown in the following table:

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014F
Base Decline (%/yr)	31%	27%	30%	29%	23%	26%	20%	22%	33%	35%	34%	37%
Capital Expenditure (\$MM)	\$139	\$231	\$358	\$312	\$122	\$139	\$73	\$261	\$379	\$618	\$578	\$625

**The base decline represents the aggregate annual decline of all wells on production at the end of the previous year.*

The commodity price forecast used by the independent engineers in this year's evaluation was less than last year which had the effect of reducing the Net Present Value of all reserve categories. The debt adjusted NPV, discounted at 5%, of last year's Proved Producing reserves, decreased \$145 million, or 7%, due to the change in commodity price forecasts and with Peyto's realized offset to posted prices. InSite's price forecast used in the variable dollar economics is available on their website at www.insitepc.com.

Value Creation/Reconciliation

During 2013, Peyto invested a total of \$578 million to drill 99 gross (93.4 net) horizontal gas wells. In keeping with Peyto's strategy of maximizing shareholder returns, an evaluation of the economic results of this capital investment is necessary in order to determine, on a go-forward basis, the best use of shareholders' capital. Not only does this look back analysis give shareholders a report card on the capital that was invested, it also helps illustrate the potential returns that can be generated from similar future undeveloped opportunities.

Exploration and Development Activity

Of the total capital invested in exploration and development activities, 2% was spent on acquiring lands and seismic, 19% on facilities, and the remaining 79% was spent drilling, completing and connecting existing and new reserves. Of the 99 gross (93.4 net) wells drilled, 70% or 69 gross wells were previously identified as undeveloped reserves in last year's reserve report (48 Proved, 21 Probable Additional). The remaining 30 wells were not recognized in last year's report. As is the case in most years, a portion of the drilling program was drawn from the company's total internal drilling inventory which is larger and more comprehensive than that identified in the InSite report.

The undeveloped reserves booked to the 69 locations at year end 2012 totaled 206 BCFe (3.0 BCFe/well) of Proved Undeveloped plus Probable Additional reserves for a forecast capital investment of \$332 million (\$1.61/Mcfe). In actuality, \$310 million of capital (\$1.42/Mcfe) was spent on these 69 wells during 2013, yielding Proved Producing plus Probable Additional reserves of 218 BCFe (3.2 BCFe/well).

With less capital yielding even more reserves, the development of these 69 booked locations produced an even better result than was originally projected. This analysis helps to validate the accuracy of the reserve and capital assignments of past undeveloped locations and provides confidence in the quality of the estimates for future undeveloped locations.

Value Reconciliation

In order to measure the success of all of the capital invested in 2013, it is necessary to quantify the total amount of value added during the year and compare that to the total amount of capital invested. The independent engineers have run last year's reserve evaluation with this year's price forecast to remove the change in value attributable to both commodity prices and changing royalties. This approach isolates the value created by the Peyto team from the value created (or lost) by those changes outside of their control (ie. commodity prices). Since the capital investments in 2013 were funded from a combination of cash flow, debt and equity, it is necessary to know the change in debt and the change in shares outstanding to see if the change in value is truly accretive to shareholders.

At year end 2013, Peyto's estimated net debt had increased by \$284.1 million to \$946.5 million while the number of shares outstanding had increased by 0.276 million shares to 148.949 million shares. The change in debt includes all of the capital expenditures, as well as any acquisitions, and the total fixed and performance based compensation paid out for the year. Although these estimates are believed to be accurate, they remain unaudited at this time and are subject to change.

Based on this reconciliation of changes in BT NPV, the Peyto team was able to create \$867 million of Proved Producing, \$1.129 billion of Total Proven, and \$2.307 billion of Proved plus Probable Additional undiscounted reserve value, with \$578 million of capital investment. The ratio of capital expenditures to value creation is what Peyto refers to as the NPV recycle ratio, which is simply the undiscounted value addition, resulting from the capital program, divided by the capital investment. For 2013, the Proved Producing NPV recycle ratio is 1.5.

The historic NPV recycle ratios are presented in the following table.

Value Creation	31-Dec-06	31-Dec-07	31-Dec-08	31-Dec-09	31-Dec-10	31-Dec-11	31-Dec-12	31-Dec-13
NPV ₀ Recycle Ratio								
Proved Producing	2.9	4.7	2.1	5.4	3.5	2.4	1.6	1.5
Total Proved	2.9	5.5	2.5	18.9	6.1	4.7	2.2	2.0
Proved + Probable	3.8	3.8	2.2	27.1	10.3	6.6	3.2	4.0

**NPV₀ (net present value) recycle ratio is calculated by dividing the undiscounted NPV of reserves added in the year by the total capital cost for the period (eg. Proved Producing (\$867/\$578) = 1.5).*

Growth and Income

As a dividend paying growth corporation, Peyto's objective is to profitably grow the resources which generate sustainable income (dividends) for shareholders. In order for income to be more sustainable and grow, Peyto must profitably find and develop more reserves. Simply increasing production from the existing reserves will not make that income more sustainable. Reserve Life Index (RLI), or a reserve to production ratio, provides a measure of this long term sustainability.

During 2013, the Company was successful in replacing 190% of annual production with new Proved Producing reserves, which resulted in a 12% increase in total PP reserves. Fourth quarter production, however, increased 35%, from 49,754 boe/d to 67,296 boe/d, which had the effect of reducing the Proved Producing reserve life index 17% from 8.7 years to 7.2 years. This year over year reduction in reserve life was amplified by a facility outage that reduced Q4 2012 production, while Q4 2013 production was higher than originally planned due to the delayed timing of new well additions. Despite these fourth quarter production variances, reserve life index in all categories has declined since the adoption of horizontal multi-stage fracture well designs due to the large initial production rates combined with steep initial declines.

For comparative purposes, the Total Proved and P+P reserve life index was 12 and 19 years, respectively, similarly affected by the fourth quarter production variances described above. Management believes, however, that the most meaningful method to evaluate the current reserve life is by dividing the Proved Producing reserves by the actual fourth quarter annualized production. This way production is being compared to producing reserves as opposed to producing plus non-producing reserves.

The following table highlights the Company's historical Reserve Life Index.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Proved Producing	10	9	11	12	13	14	14	11	9	9	7
Total Proved	13	12	14	14	16	17	21	17	16	15	12
Proved + Probable	19	17	19	20	21	23	29	25	22	22	19

Future Undeveloped Opportunities

With the continued expansion of Peyto's exploration and development activity to \$625 million in 2014, the Company has been able to increase the pace that undeveloped opportunities are both recognized and developed. As a result, the number of future drilling locations in the reserve report has increased 24% to 628 gross (505 net) locations from 507 gross (401 net) locations last year. Of these future locations, 59% are categorized by the independent reserve evaluators as Proven Undeveloped with the remaining 41% as Probable Undeveloped. The net reserves associated with the undeveloped locations total 1.53 TCFe (255.4 mmoes) while the total capital required to develop them is estimated at \$2.55 billion or \$1.67/MCFe. This is forecast to create Net Present Value of \$2.7 billion (5% discount rate, post capital recovery) or \$17.81 per share. The development schedule for the undeveloped reserves is shown in the following table of forecasted capital.

Year	Future Development Capital	
	Proved Reserves Undisc., (\$Millions)	Proved+ Probable Additional Reserves Undisc., (\$Millions)
2014	\$314.3	\$599.2
2015	\$407.1	\$602.1
2016	\$306.0	\$497.6
2017	\$209.1	\$487.4
2018	\$166.4	\$336.7
Thereafter	\$3.4	\$26.7
Total	\$1,406.3	\$2,549.7

The forecast for Net Operating Income for the Total Proved and P+P reserves over the first 5 years totals \$3.0 billion and \$4.3 billion, respectively, more than sufficient to fund the future development capital shown above, ensuring those reserve additions are accretive to shareholders.

PERFORMANCE RATIOS

The following table highlights annual performance ratios both before and after the implementation of horizontal wells in late 2009. These can be used for comparative purposes, but it is cautioned that on their own they do not measure investment success.

	2013	2012	2011	2010	2009	2008	2007
Proved Producing							
FD&A (\$/mcf)	\$2.35	\$2.22	\$2.12	\$2.10	\$2.26	\$2.88	\$2.11
RLI (yrs)	7	9	9	11	14	14	13
Recycle Ratio	1.6	1.6	1.9	2.0	1.8	2.3	2.8
Reserve Replacement	190%	284%	230%	239%	79%	110%	127%
Total Proved							
FD&A (\$/mcf)	\$2.23	\$2.04	\$2.13	\$2.35	\$1.73	\$3.17	\$1.57
RLI (yrs)	12	15	16	17	21	17	16
Recycle Ratio	1.6	1.7	1.9	1.8	2.3	2.1	3.7
Reserve Replacement	230%	414%	452%	456%	422%	139%	175%
Future Development Capital (\$ millions)	\$1,406	\$1,318	\$1,111	\$741	\$446	\$222	\$169
Proved plus Probable Additional							
FD&A (\$/mcf)	\$1.86	\$1.68	\$1.90	\$2.19	\$1.47	\$3.88	\$1.56
RLI (yrs)	19	22	22	25	29	23	21
Recycle Ratio	2.0	2.1	2.1	1.9	2.8	1.7	3.7
Reserve Replacement	450%	527%	585%	790%	597%	122%	117%
Future Development Capital (\$millions)	\$2,550	\$2,041	\$1,794	\$1,310	\$672	\$390	\$321

- FD&A (finding, development and acquisition) costs are used as a measure of capital efficiency and are calculated by dividing the capital costs for the period, including the change in undiscounted future development capital (“FDC”), by the change in the reserves, incorporating revisions and production, for the same period (eg. Total Proved $(\$578.0+\$87.9)/(304.494-276.419+21.649) = \$2.23/\text{mcf}$ or $\$13.39/\text{boe}$).
- The reserve life index (RLI) is calculated by dividing the reserves (in boes) in each category by the annualized average production rate in boe/year (eg. Proved Producing $176,882/(67.296 \times 365) = 7.2$). Peyto believes that the most accurate way to evaluate the current reserve life is by dividing the proved developed producing reserves by the actual fourth quarter average production. In Peyto’s opinion, for comparative purposes, the proved developed producing reserve life provides the best measure of sustainability.
- The Recycle Ratio is calculated by dividing the field netback per MCFe, before hedging, by the FD&A costs for the period (eg. Proved Producing $(\$21.89)/\$14.08=1.6$). The recycle ratio is comparing the netback from existing reserves to the cost of finding new reserves and may not accurately indicate investment success unless the replacement reserves are of equivalent quality as the produced reserves.
- The reserve replacement ratio is determined by dividing the yearly change in reserves before production by the actual annual production for the year (eg. Total Proved $((176.882-157.491+21.649)/21.649) = 190\%$).

RESERVES COMMITTEE

Peyto has a reserves committee, comprised of independent board members, that reviews the qualifications and appointment of the independent reserve evaluators. The committee also reviews the procedures for providing information to the evaluators. All booked reserves are based upon annual evaluations by the independent qualified reserve evaluators conducted in accordance with the COGE (Canadian Oil and Gas Evaluation) Handbook and National Instrument 51-101. The evaluations are conducted using all available geological and engineering data. The reserves committee has reviewed the reserves information and approved the reserve report.

2014 UPDATE

The winter weather of 2013/2014 has surprised forecasters and resulted in record consumption of natural gas. This in turn has depleted storage reservoirs faster than predicted and caused short term natural gas prices to become extremely volatile. Futures prices for natural gas beyond next year remain at significantly lower levels than current day prices due to the belief that low cost supplies are still available in the many North American shale gas plays. While this short term price volatility is unpredictable, Peyto remains a long term price taker with its industry leading low cost structure and a proven track record of profitable development of production and reserves.

The capital program for 2014 remains on track with 9 drilling rigs actively developing reserves and production in Peyto’s many core areas in the Alberta Deep Basin. Four facility expansion projects, totaling 105 mmcf/d of new processing capacity, are planned for 2014 in order to accommodate the anticipated production growth.

In the Wildhay area, a 27 km, 8” gathering line was installed in January 2014 that connected two new wells and 19.5 sections of land to Peyto’s gas plant. Success in this new expansion area will be followed up with more drilling, a sales line loop and a plant expansion in the fall of 2014 which will increase the Wildhay plant capacity from 70 mmcf/d to 90 mmcf/d.

At Oldman North, ongoing development of the Upper and Middle Falher is expected to drive production growth that will require the recently commissioned Oldman North Plant to be expanded from 30 mmcf/d to 80 mmcf/d. This is also expected to happen in the fall of 2014.

Successful Wilrich development in the Ansell area is requiring additional processing capacity at Peyto's Swanson gas plant. An additional compressor, to be installed before breakup, will increase processing capacity from 50 mmcf/d to 65 mmcf/d at this facility which should be further supported by recent Bluesky drilling.

Finally, continued exploration and development in Peyto's Brazeau River area is yielding encouraging results. A planned plant expansion from 20 mmcf/d to 40 mmcf/d before spring breakup is expected to accommodate ongoing drilling results.

By the end of 2014, Peyto expects to be operating over 630 mmcf/d of total processing capacity in the Alberta Deep Basin capable of handling up to 115,000 boe/d of total NGL and natural gas production.

Peyto continues to believe in the future of natural gas as the most abundant, affordable, and cleanest burning energy source available. Peyto also believes that financial success for both the company and its shareholders will continue to come from being the lowest cost, most efficient and most profitable Explorer and Producer in the industry.

GENERAL

For more in depth discussion of the 2013 reserve report, an interview with the management will be available on Peyto's website by the end of February 2014. A complete filing of the Statement of Reserves (form 51-101F1), Report on Reserves (form 51-101F2), and Report of Management and Directors on Oil and Gas Disclosure (form 51-101F3) will be available in the Annual Information Form to be filed by the end of March 2014. Shareholders are encouraged to actively visit Peyto's website located at www.peyto.com. For further information, please contact Darren Gee, President and Chief Executive Officer of Peyto at (403) 237-8911, or Jim Grant, Investor Awareness, at (403) 451-4102.

This news release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: management's assessment of Peyto's future plans and operations, capital expenditures, the volumes and estimated value of Peyto's reserves, the life of Peyto's reserves, production estimates, the ability to enhance value of reserves for shareholders and ensure the reserves generate the maximum possible return. Forward-looking statements or information are based on a number of material factors, expectations or assumptions of Peyto which have been used to develop such statements and information but which may prove to be incorrect. Although Peyto believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because Peyto can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, the impact of increasing competition, the timely receipt of any required regulatory approvals, the ability of Peyto to obtain qualified staff, equipment and services in a timely and cost efficient manner, drilling results, field production rates and decline rates, the ability to replace and expand reserves through development and exploration, future commodity prices, currency, exchange and interest rates, regulatory framework regarding royalties, taxes and environmental matters and the ability of Peyto to successfully market its oil and natural gas products. 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. 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 forward-looking information and statements contained in this news release speak only as of the date of this news release, and Peyto does not assume any obligation to publicly update or revise any of the included forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

This news release contains information, including in respect of Peyto's 2014 capital program, which may constitute future oriented financial information or a financial outlook. Such information was approved by management of Peyto on November 12, 2013, and such information is included herein to provide readers with an understanding of the Company's anticipated capital expenditures for 2014. Readers are cautioned that the information may not be appropriate for other purposes.

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. It should not be assumed that the estimates of future net revenues presented in the tables above represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The aggregate of the exploration and development costs incurred in the most

recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year.

The Toronto Stock Exchange has neither approved nor disapproved the information contained herein.