

PEYTO Energy Trust

President's Monthly Report

March 2008

From the desk of Darren Gee, President & CEO

My, how quickly things change. A month ago, North American natural gas storage levels looked sufficiently full to keep prices soft. Now, after some real winter weather, there is fear there won't be enough. On top of that, higher natural gas prices in Europe continue to attract the world's LNG supplies. The bottom line sentiment currently is, not enough supply in the face of increasing demand. As a result, natural gas prices are rising. Alberta natural gas prices for the period Apr 08 to Oct 08 were \$6.81/GJ a month ago. Today they are offered at \$8.07/GJ, up nearly 20%. This is good news for Peyto.

Also a month ago, unitholders anxiously awaited our annual "report card" on reserves and asset value. That has now been released and we are encouraged to see our value has remained intact while our produced reserves were more than replaced, at much improved efficiency. We will endeavor to continue to reduce costs and improve efficiency throughout 2008. More good news for Peyto.

Lower costs and higher prices translate into increased returns for our business and increased value for our assets. This has not been missed by the market, as the Peyto unit price is up 20% from a month ago. Great news for Peyto unitholders.

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

2007/08 Capital Summary (millions \$ CND)*

	Oct	Nov	Dec	Q4	2007	Jan	Feb	Mar	Q1
Land & Seismic	0	0	0	0	3	0			0
Drilling	8	7	2	18	60	6			6
Completions	3	5	4	12	37	2			2
Tie ins	1	1	3	5	20	1			1
Facilities	0	0	0	0	2	0			0
Other	0	0	0	0	0	0			0
Total	13	14	10	36	122	10	0	0	10

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

2007/08 Production ('000 boe/d)*

	Oct	Nov	Dec	Q4	2007	Jan	Feb	Mar	Q1
Sundance	16.7	16.7	16.9	16.8	16.5	16.6	16.3		
Kakwa	2.9	2.9	2.5	2.7	2.3	2.7	2.7		
Other	1.5	1.4	1.3	1.4	1.9	1.3	1.4		
Total	21.0	21.0	20.7	20.9	20.7	20.6	20.4	-	-

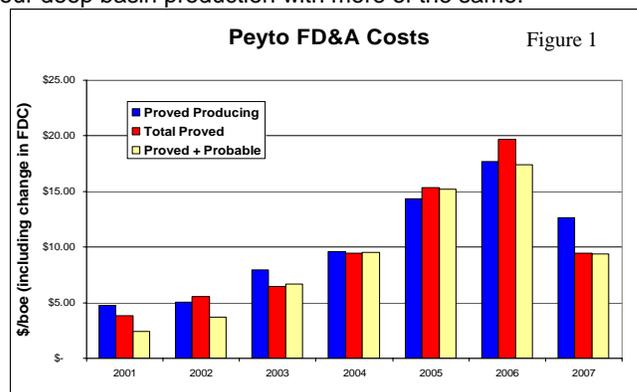
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2008 - The year of the Rat

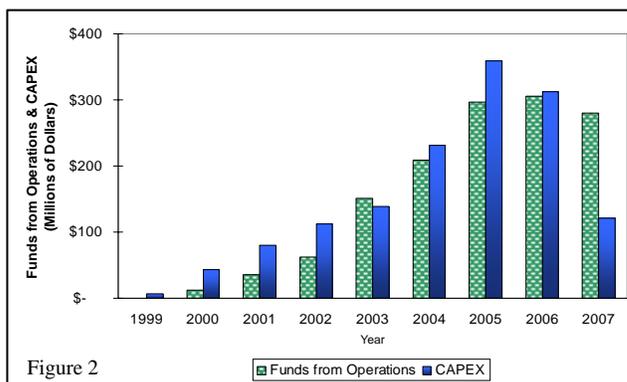
This year is the Year of the Rat, and it's closely associated with entrepreneurs. The rat is the first sign of the Chinese zodiac because, according to legend, the rat was the first animal to show up when Buddha summoned all the animals to come to him. The rat is also respected for its many attributes – smart, clever, resourceful, quick-witted, and courageous. Rats are cunning problem solvers and energetic. They are also responsible, protective and careful planners. Being first, they're also considered leaders. You can see why it's a sign associated with entrepreneurs. – USA Today

They say that Alberta is one of the few places on the planet that has no rats. I'm not so sure. I think maybe we have a lot of rats here at Peyto. Good thing, too.

Last year the Peyto team was challenged with bringing costs down and improving results. That was clearly accomplished when you look at the 2007 FD&A costs (Figure 1) to replace our deep basin production with more of the same.



At the same time, fiscal prudence required that we maintain our financial flexibility and so only a fraction of total cashflow was invested. That was a dramatic change from years past as shown in Figure 2.



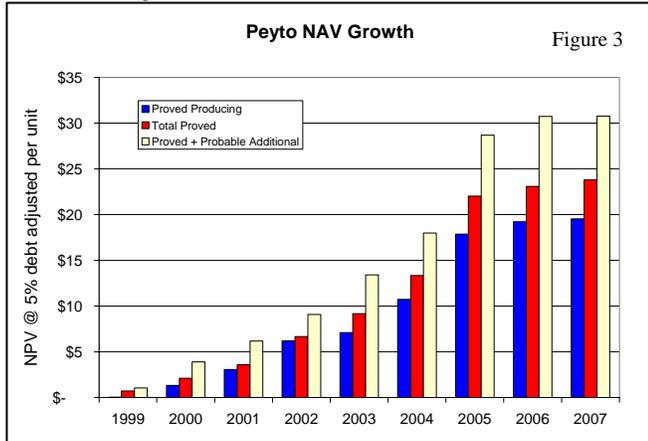
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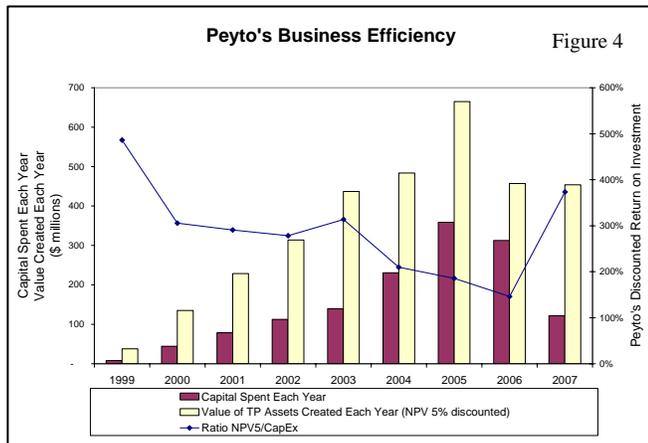
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Yet despite investing less than 50% of the Funds from Operations, both reserves and net asset value grew in all categories. Figure 3 illustrates the Net Present Value, discounted at 5%, per unit, debt adjusted for the different reserve categories.



A testament to the efficiency with which that business plan was executed is shown in Figure 4. This same value reconciliation was outlined in our recent reserves release.



We are now into our tenth year of operations in the Western Canadian Deep Basin. Since the first well was drilled in January of 1999, Peyto has invested \$1.4 billion into exploration and development projects that have established nearly 1.0 Trillion Cubic Feet of producing reserves. That is quite an accomplishment and it has created a solid foundation to support the next twelve years of ongoing exploration until we see the rat once again.

Activity Levels and Commodity Prices

Drilling activity in Western Canada has really picked up since the start of the New Year, as shown in Figure 5. This may be partly due to a new capital budget year and partly due to winter access being cheaper than summer. The most recent surge to 80% rig utilization rates might also be due to strengthening gas prices. Perhaps with the Alberta election ensuing there is optimism that any conventional royalty changes will be softened which is why Alberta's utilization has caught up with the rest of Western Canada.

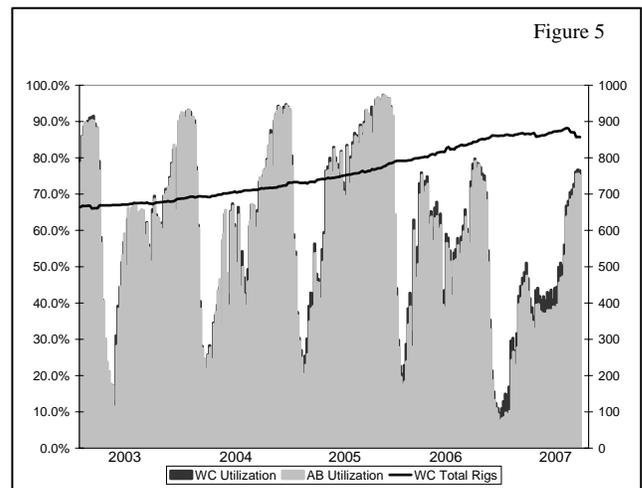


Figure 6 outlines the performance of Peyto's marketing strategy of the past several years. That strategy is to smooth out the short term fluctuations in natural gas price through future sales in either the 7 month summer or 5 month winter season. As is the case in a rising commodity environment, the current forward strip is ahead of our forward sales. Not necessarily a bad thing as our unsold volumes may garner an even higher price.

