From climate strikes to climate marches, it appears the world's youth are being mobilized to broadcast a message that an imminent climate threat is upon us, and something must be done.

Swedish climate activist Greta Thunberg, centre, takes part in a climate strike march in Montreal on Friday. (Graham Hughes/The Canadian Press)

I question whether it's really their message or are they being played. All the Canadian youth I've ever met, including my own kids, have known nothing but extreme energy abundance their entire lives. They haven't a clue what life would be like if they had to give up even a quarter of it, which by the way would still make them the second highest consumers of energy per capita in the world. You must admit, having energy abundance is awfully nice. You get cleaner air & water, better food (*strawberries in February!*), more education, better healthcare, longer lifespan and generally much higher quality of life. Those are things every person on earth is striving for. So, if we're not going to increase energy production on earth, as these marches demand, we'd better start sharing what we have with those that don't. I can only assume then, all those same youth who are eligible to vote this October will be voting for more pipelines.

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 Summary (millions$ CND)*

	2017	Q1 18	Q2 18	Q3 18	Q4 18	2018	Q1 19	Apr	May	Jun	Q2 19	Jul	Aug
Acq/Disp	4	-4	0	0	2	-2	1	0	0	0	0	0	0
Land & Seismic	17	1	1	5	2	8	3	1	0	1	2	0	0
Drilling	256	14	7	37	57	116	24	4	1	6	11	5	3
Completions	134	17	1	18	36	72	20	5	2	7	14	3	3
Tie ins	53	4	1	6	11	21	10	1	1	1	3	1	2
Facilities	57	4	5	5	4	18	4	1	1	3	5	4	2
Total	**521**	**35**	**15**	**70**	**112**	**232**	**62**	**12**	**5**	**17**	**34**	**14**	**10**

Production ('000 boe/d)*

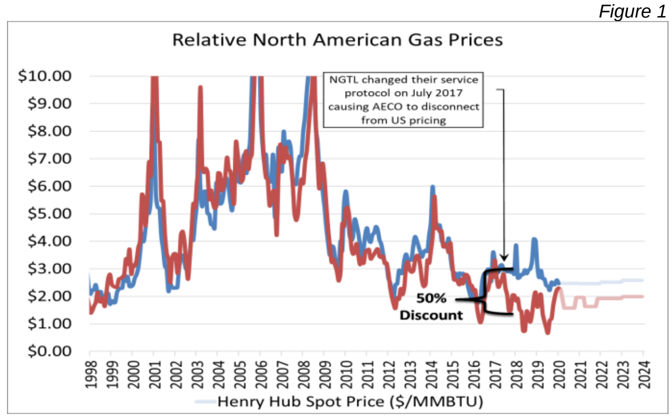
	2017	Q1 18	Q2 18	Q3 18	Q4 18	2018	Q1 19	Apr	May	June	Q2 19	Jul	Aug	Sept	Q3 19
Sundance	57	56	50	49	50	51	50	49	51	48	49	47	47	47	47
Ansell	21	20	18	16	16	18	18	16	15	14	15	14	14	14	14
Brazeau	21	24	19	16	15	19	15	14	13	12	13	12	12	12	12
Kakwa	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Other	2	3	2	2	3	3	3	2	3	2	2	2	2	1	2
Total	**103**	**105**	**92**	**85**	**87**	**92**	**88**	**83**	**83**	**79**	**82**	**78**	**76**	**76**	**77**
Deferral			2	0				1	-	3	1	1	2	2	2
Capability	103	105	94	86	87	92	88	84	83	81	83	79	78	78	78
Liquids %		9.5%	10.1%	10.6%	11.5%	10.4%	12.0%	13.0%	14.0%	13.6%	13.5%	13.3%	14.0%	14.5%	13.9%

This estimate is based on real field data, not a* ***forecast, and actual numbers will vary from the estimate due to accruals and adjustments. Such variance may be material. Tables may not add due to rounding.*

AECO's Back in The Game, Baby!

After nearly two years of effort, Canadian natural gas producers, along with the Alberta Government, on behalf of AB residents (royalty owners), were successful in helping NGTL achieve a Temporary Service Protocol (TSP) starting on Sept 30, 2019 (actually Oct. 5 after this latest outage). This is big news for AECO gas and will help to fix the disconnected market we've experienced for the last two years.

Figure 1



Source: EIA, Enerdata

As illustrated in Figure 1, WCSB gas producers have been suffering from a 50% discount to the broader market price (NYMEX) since the service protocol was changed in July of 2017. As discussed in past reports, the effect of that change was to prevent access to storage during maintenance periods in the summer, which basically shrunk the available market and cratered prices.

This change back was a recommendation (#7) originally made by the Alberta Natural Gas Advisory panel, led by former TCPL CEO Hal Kvisle, which was "to reverse the July 2017 restriction protocol back to restricting firm receipts" which would hopefully "minimize operationally induced AECO-C price volatility." The panel's report to the Government of Alberta back in November was filled with many other recommendations for reviving Alberta's Natural Gas Industry - some 48 of them. Most involved ways to improve market access, both in North America, using additional pipelines, and globally, using LNG exports, but it was this Recommendation #7 that many keyed upon.

Now that this new TSP is in place, storage should begin to function properly, and we should see a much less volatile natural gas price, and in turn a more predictable and investable Canadian gas market. The impact to producers, like Peyto, will be mostly on future economics but also any unhedged gas production. For instance, the full-cycle internal rate of return of a typical Peyto Notikewin well at $2/GJ flat gas price versus a $1.50/GJ flat gas price is 40% versus 13%, respectively. We'd see the same kind of improvement for a Wilrich or a Falher well.

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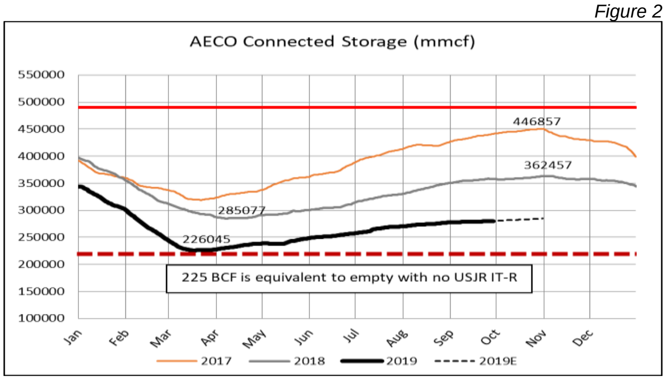
Our Cardium wells would also improve but they are less sensitive to just gas price increase since they have higher liquid yields. What this means is we can now justify adding several additional plays to our rig schedule. The increased free cash flow from the unhedged production should also result in additional debt repayment and decreasing debt to cashflow ratios.

While this new protocol is only in effect for October 2019 and summer (April-October) 2020, the entire AECO forward curve continues to strengthen as a result. That's because for this winter, AECO connected storage levels are already dangerously low and will be completely empty when we get around to refilling them next summer. I refer to AECO connected storage rather than Western Canadian storage (like most reports do) because storage pools like Aiken Creek in BC and North Battleford in Sask. don't really affect the AECO market so they shouldn't be included.

Figure 2

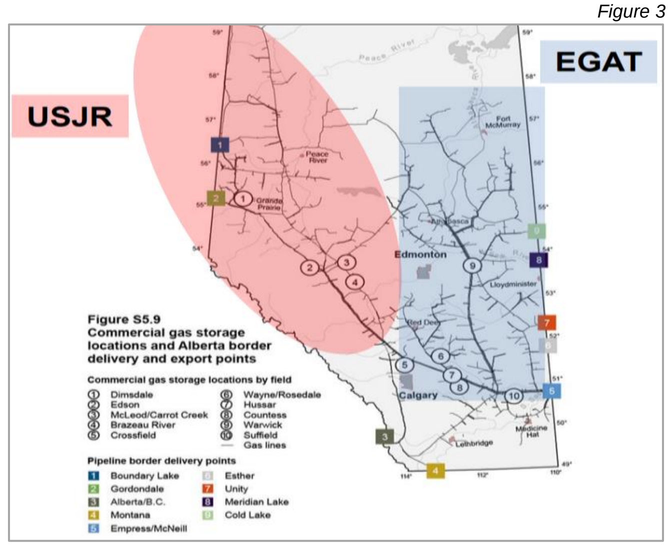


Source: TC Energy

Last spring, AECO storage was effectively "empty" when levels got to 225 BCF. That's because the USJR storage pools (Figure 3) are no longer effective due to a lack of Interruptible Receipt service (IT-R). Dimsdale (105 BCF), Edson (50 BCF), Carrot Ck (35 BCF), and Brazeau (33 BCF), collectively 223 BCF, are all basically "full" and can't empty because that portion of the Nova system is over contracted with FT-R and there hasn't been meaningful IT-R available to storage operators for several years. In fact, on average over the last two winters, IT-R was only available in USJR on 24 days out of the 151 days of winter, and only at an average of 12% on those days. In other words, for only 2.9 days of the winter could USJR storage contribute.

Based on our projected refill, we'll only have approximately 65 BCF of "useable" EGAT storage until we're back to the empty line. That's not a lot, considering in the last two winters we needed 162 BCF and 136 BCF, respectively. That's why the TSP is such a big deal. Empty supplies this winter, followed by stronger demand next summer to refill storage, and then an expanded system in 2021 will ensure AECO will be a fair gas market once again. Which is why Peyto is actively increasing our AECO exposure.

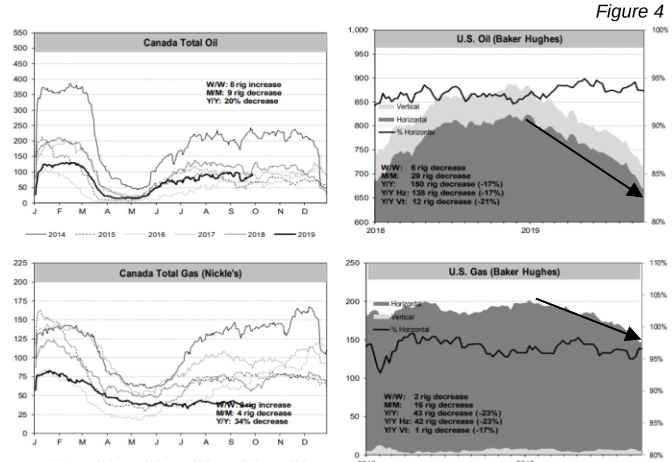
Figure 3



Source: AER, Scotiabank

Activity Levels and Commodity Prices

Figure 4



Source: Scotia

It used to be when rigs counts fell, so too would production. As we transitioned to more and more efficient horizontal, multi-stage fracture technology, that wasn't always the case. The same number of rigs just delivered even more production. Today however, we see far less improvement in rig productivity, so the fact that the rig count is falling, particularly in the US, is telling about the future production expectations. Canadian rig counts on the left of Figure 4, are shown year over year, to account for the breakup season, while US rig counts are shown on the right over time. From a gas supply perspective, all the gas rigs (US/CND) are low and falling which should bode well for N.A. gas markets.

Forward Looking Statements

Certain information set forth in this monthly report, including management's expectation of future natural gas prices and the reasons therefore and management's estimate of monthly capital spending, field estimate of production, production decline rates and forecast 2018 netback, 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 there from. The forward-looking statements contained in this monthly report are made as of the date of this monthly report. Except as required by applicable securities law, we assume no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing risks and assumptions affecting such forward-looking statements, whether as a result of new information, future events or otherwise.

All references are to Canadian dollars unless otherwise indicated. Natural gas liquids and oil volumes are recorded in barrels of oil (bbl) and are converted to a thousand cubic feet equivalent (mcfe) using a ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Natural gas volumes recorded in thousand cubic feet (mcf) are converted to barrels of oil equivalent (boe) using the ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based in an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, given that the value ratio based on the current price of oil as compared with natural gas is significantly different from the energy equivalent of six to one, utilizing a boe conversion ratio of 6 mcf:1 bbl may be misleading as an indication of value.

Certain measures in this monthly report do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These measures may not be comparable to similar measures presented by other issuers. Non-IFRS measures are commonly used in the oil and gas industry and by Peyto to provide potential investors with additional information regarding Peyto's liquidity and its ability to generate funds to conduct its business. Non-IFRS measures used herein include netback and funds from operations.

Netbacks are a non-IFRS measure that represents the profit margin associated with the production and sale of petroleum and natural gas. Netbacks are per unit of production measures used to assess Peyto's performance and efficiency. The primary factors that produce Peyto's strong netbacks and high margins are a low cost structure and the high heat content of its natural gas that results in higher commodity prices. Funds from operations is a non-IFRS measure which represents cash flows from operating activities before changes in non-cash operating working capital and provision for future performance based compensation. Management considers funds from operations and per share calculations of funds from operations to be key measures as they demonstrate Peyto's ability to generate the cash necessary to pay dividends, repay debt and make capital investments. Management believes that by excluding the temporary impact of changes in non-cash operating working capital, funds from operations provides a useful measure of Peyto's ability to generate cash that is not subject to short-term movements in operating working capital. The most directly comparable IFRS measure is cash flows from operating activities.