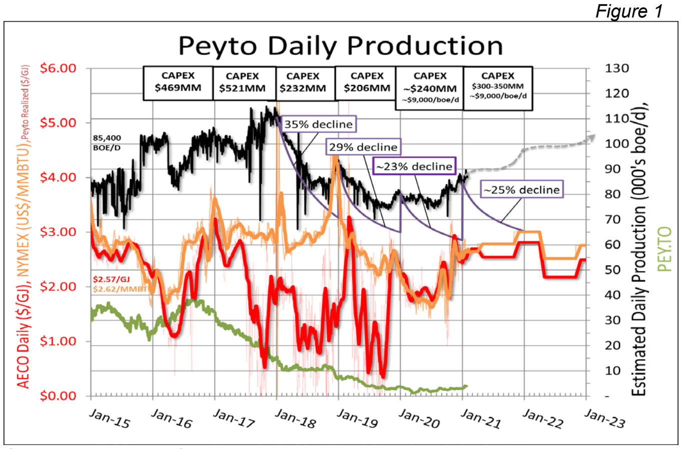
Peyto Exploration & Development Corp.
President's Monthly Report

February 2021 — From the desk of Darren Gee, President & CEO

January was a busy month for Peyto with a steady stream of new drilling. Several new pad sites were started that will undergo completion operations in February and March (18 fracs between now and March 31) and will bring on another surge of production that will hopefully capture a stronger gas price at the tail end of winter. We have 4 drilling rigs running steady, complimented by 3 completion "packages" which should be able to execute the bulk of our $300-$350 million capital program this year. By the end of 2021, production should be approaching 100,000 boe/d, just like it did in 2015, and with AECO and NYMEX prices currently looking stronger than 2015, it will be nice to finally be back to where we were, share price notwithstanding.

Figure 1



Source: Peyto, EIA, GasAlberta, TMX

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)*

	2018	Q1 19	Q2 19	Q3 19	Q4 19	2019	Q1 20	Q2 20	Q3 20	Oct	Nov	Dec	Q4 20	2020
Acq/Disp	-2	1	0	0	0	1	0	0	2	1	0	0	1	3
Land & Seismic	8	3	2	1	2	7	4	1	1	0	1	1	2	8
Drilling	116	24	11	14	36	86	28	20	28	13	12	4	29	105
Completions	72	20	14	10	21	65	19	9	20	7	9	7	22	70
Tie ins	21	10	3	3	9	26	7	3	6	2	3	3	7	23
Facilities	18	4	5	8	5	21	10	4	5	1	2	4	7	26
Total	**232**	**62**	**34**	**37**	**73**	**206**	**69**	**37**	**62**	**23**	**27**	**18**	**68**	**236**

Production ('000 boe/d)*

	2018	Q1 19	Q2 19	Q3 19	Q4 19	2019	Q1 20	Q2 20	Q3 20	Oct	Nov	Dec	Q4 20	2020	Jan
Sundance	51	50	49	47	48	49	49	47	47	49	49	50	49	48	49
Ansell	18	18	15	14	14	15	14	14	13	15	15	18	16	14	18
Brazeau	19	15	13	12	11	13	12	14	15	16	16	15	16	14	17
Kakwa	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Other	3	3	2	2	3	2	2	2	1	1	1	1	1	2	1
Total	**92**	**88**	**82**	**77**	**78**	**81**	**79**	**78**	**78**	**83**	**83**	**86**	**84**	**80**	**86**
Liquids %	10%	12%	14%	14%	15%	14%	15%	14%	14%	14%	13%	13%	13%	14%	14%

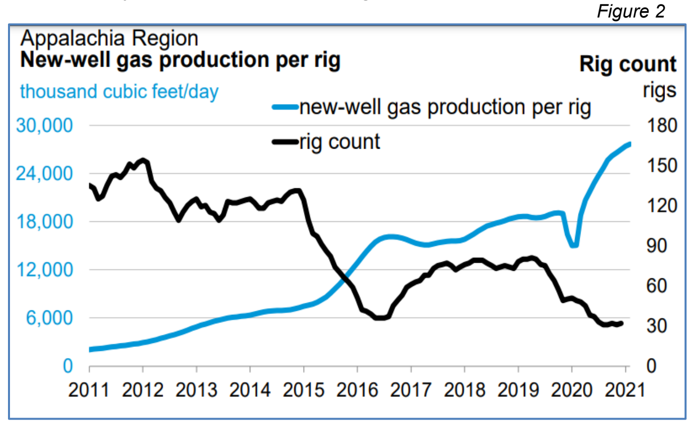
****This estimate is based on real field data, not a forecast, and actual numbers will vary from the estimate due to accruals and adjustments. Such variance may be material. Tables may not add due to rounding.***

Increasing Rig Productivity

The January 2021 EIA [Drilling Rig Productivity report](https://www.eia.gov/petroleum/drilling/pdf/dpr-full.pdf) was released and, as always, I enjoyed looking at the performance in the different US shale plays compared to our performance in the Alberta Deep Basin.

What was interesting with this latest report was the year over year change in Appalachian basin (Marcellus) performance. The improvements in drilling speed has significantly increased the amount of new production a rig can bring on in a month. Other US basins have made minor improvements too but the Appalachian basin has seen almost a 50% increase over the last year (18 to 27 mmcf/d). That's significant because it means the same number of rigs will bring on 50% more production. Since basin production hasn't really grown over the year due to takeaway constraints, it's the rig count that has fallen.

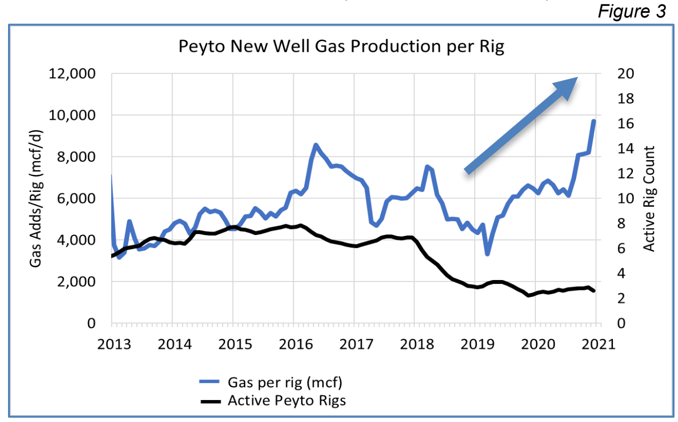
Figure 2



https://www.eia.gov/petroleum/drilling/pdf/dpr-full.pdf

When you compare that to Peyto's rig productivity (approaching that of the Haynesville now), we have also seen a dramatic improvement year over year. Each of our four rigs operating today can bring on almost 40% more production in a month than at the start of 2020 (up 50% from 2019).

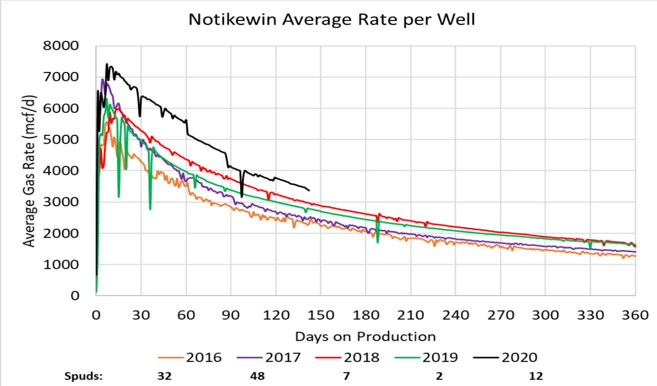
Figure 3

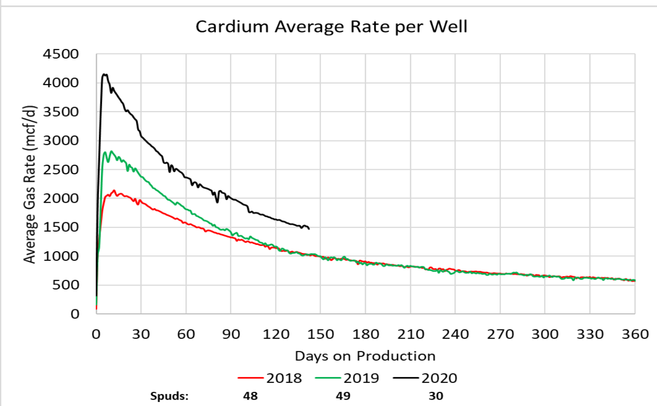


Source: Peyto

This is due to a couple of factors. For one, the productivity of the wells is better. Looking at the Notikewin and Cardium wells drilled in 2020 for example, there has been a significant improvement over past years, driven by longer horizontal laterals and more stimulation intensity.

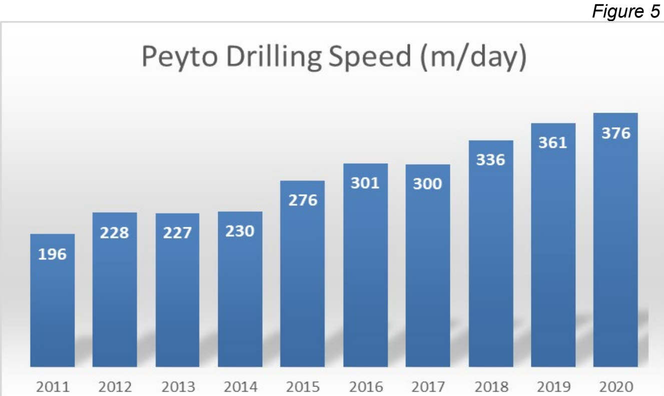
Figure 4





Secondly, we're getting that improved productivity with less drilling time and therefore fewer rigs. Every year we are drilling more meters per day as rig efficiency and drilling designs evolve.

Figure 5

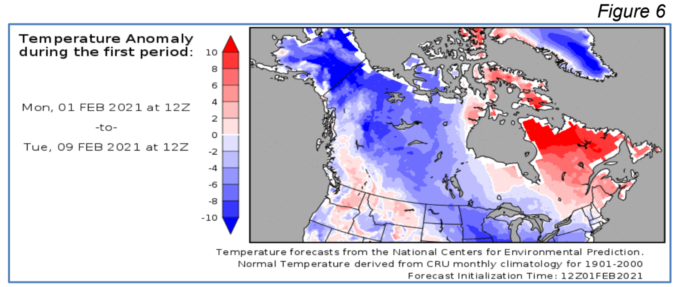


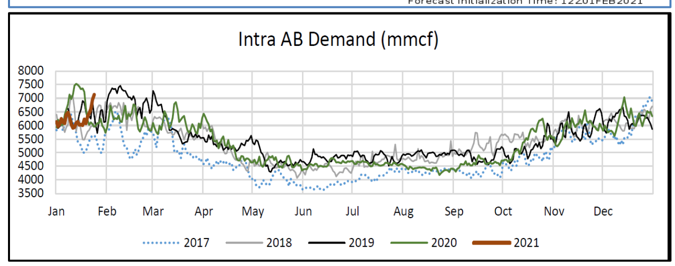
Considering our track record over the last decade, with an ever increasing drilling speed (80% increase in 9 yrs), and a shallowing base decline, we may not be too far away from a single operating rig being able to hold us at 100,000 boe/d. Assuming of course that holding production steady and stripping off gobs of free cashflow is still the right strategy.

Activity Levels and Commodity Prices

Some cold weather out west has finally sent Alberta's intra provincial natural gas demand shooting up. This is the first real blast of winter we've seen so far. The predictions of a long cold winter driven by a strong La Nina have, so far, fallen short.

Figure 6

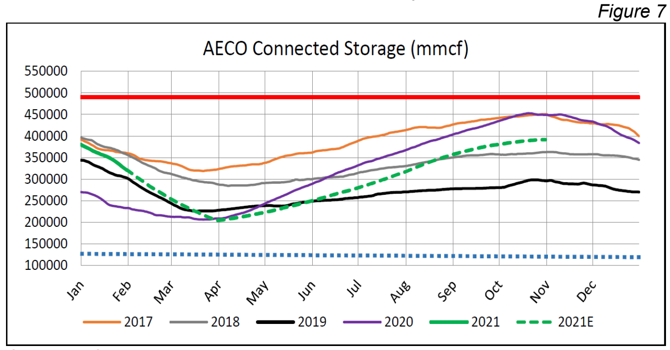




Source: NOAA, Peyto, NGTL

Nonetheless, we are still predicting a drawdown of AECO connected storage to the lows of last spring (~200 BCF) which means a supportive price for this summer and a goodly amount of required injections. That also assumes continued access to storage with an extension to the Temporary Service Protocol (TSP). If not, we'll have empty storage and weak summer prices, but the follow on will be much higher prices for next winter, because winter, it seems, always comes.

Figure 7



Source: NGTL

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.