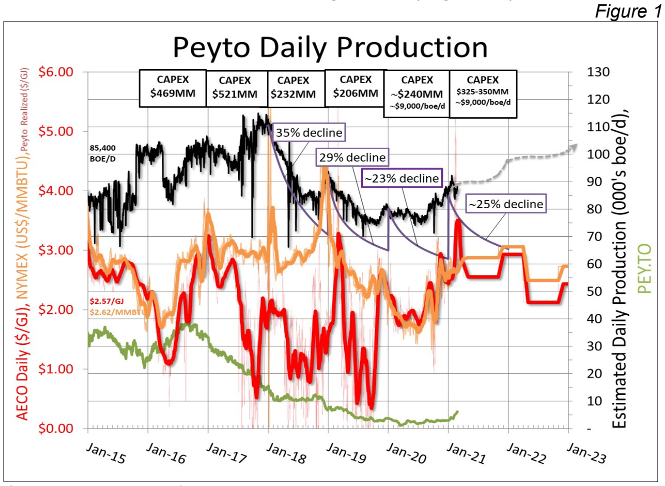
Peyto Exploration & Development Corp.
President's Monthly Report

March 2021 | From the desk of Darren Gee, President & CEO

The January production estimate below has been revised to include the acquisitions that were effective Jan 1/21, while February production reflects the completion slowdown due to the Christmas break and a few days of freeze offs during the worst of the "Polar Vortex". Now that things are back up and running smoothly at the 89-90,000 boe/d range we should see a steady stream of new wells coming on until breakup. While the upwards trend of both production and gas prices (as well as share price) is a welcome sight, the backwardation in the forward strip for gas prices is still a concern, particularly the weakness in AECO summer prices reflective of a lack of confidence in the Alberta storage refill (Figure 1).

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	Q4 20	2020	Jan
Acq/Disp	-2	1	0	0	0	1	0	0	2	1	3	35
Land & Seismic	8	3	2	1	2	7	4	1	1	2	8	0
Drilling	116	24	11	14	36	86	28	20	28	29	105	9
Completions	72	20	14	10	21	65	19	9	20	22	70	3
Tie ins	21	10	3	3	9	26	7	3	6	7	23	1
Facilities	18	4	5	8	5	21	10	4	5	7	26	8
Total	**232**	**62**	**34**	**37**	**73**	**206**	**69**	**37**	**62**	**68**	**236**	**55**

Production ('000 boe/d)*

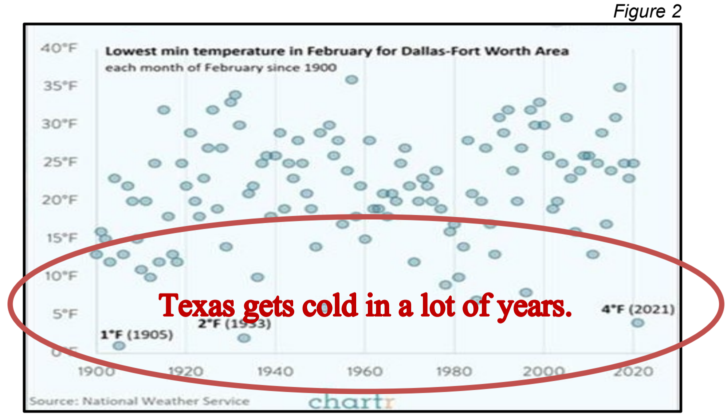
	2018	Q1 19	Q2 19	Q3 19	Q4 19	2019	Q1 20	Q2 20	Q3 20	Q4 20	2020	Jan	Feb
Sundance	**51**	50	49	47	48	**49**	49	47	47	49	**48**	49	48
Ansell	**18**	18	15	14	14	**15**	14	14	13	16	**14**	18	17
Brazeau	**19**	15	13	12	11	**13**	12	14	15	16	**14**	17	17
Kakwa	**2**	2	2	2	2	**2**	2	2	2	2	**2**	2	2
Other	**3**	3	2	2	3	**2**	2	2	1	1	**2**	4	4
Total	**92**	**88**	**82**	**77**	**78**	**81**	**79**	**78**	**78**	**84**	**80**	**89**	**87**
Liquids %	10%	12%	14%	14%	15%	14%	15%	14%	14%	13%	14%	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.

Reliability More Important than Renewable

The weather events of the last month and their impact on North American energy markets has been quite something to behold. And what shocked me the most was that one of the most advanced societies on the planet, in possibly one of the most energy rich jurisdictions, is no longer able to deal with something as simple as a cold winter storm.

Figure 2



"Natural gas wells in Texas and Oklahoma have experienced "freeze offs" at the same time as wind turbines have been frozen in place and solar panels have been covered in snow."

Feb 16, 2021 Financial Post

As an aside, I do find it somewhat ironic that with all the global warming fearmongering that has been propagated over the last decade, its COLD weather that has everyone sitting up and paying attention. If humans are not prepared to deal with the warming that climate change brings, we are *really* not prepared to deal with the offsetting cold. This fantasy of a comfortable 72°F for everyone, all the time, will be very expensive indeed.

Normally, of course, the southern United States does not have to deal with cold weather affecting their energy systems. But this last month they got a real taste for what its like to try and survive a cold climate without reliable energy. Welcome to our weather up here in Canada! It's one of the reasons we at Peyto are so passionate about what we do, because deep down its motivated by a survival instinct. The only thing more vogue than being green is being warm.

This event also speaks volumes about the lack of reliability of renewable energy systems like wind and solar, especially during periods of life-threatening cold weather. Sure, there were some freeze offs that stopped natural gas from truly saving the day, but those are very preventable. We prevent it up here in the great white north all the time. By the way, we had the same cold temperatures (arguably much worse) up here, and despite our even longer and deeper cold weather in February, I didn't see reports of a single reported death in Alberta due to a lack of access to reliable energy.

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My point is, that when it comes to cold weather survival, natural gas (and coal for that matter) is far more reliable than renewable electricity – and we shouldn't forget it. It reminds me of a famous Will Rogers quote:

> ***"Good judgment comes from experience, and a lot of that comes from bad judgment."***

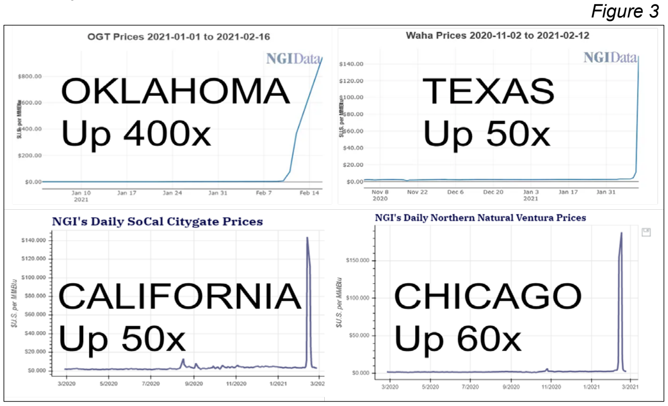
It seems like the movement to change our energy systems is missing the point. The current push, is to electrify everything, in an effort to remove the emissions responsibility from the consumer and put it on the producer. Then governments, or other, can regulate the producers easier than trying to change the behavior of the consumer/voter (who doesn't really want to change). The problem is that renewable, low emissions electricity is not reliable enough, particularly in the cold. Perhaps this was best articulated by the Wall Street Journal.

> *"Gas and power prices have spiked across the central U.S. while Texas regulators ordered rolling blackouts Monday as an Arctic blast has frozen wind turbines.* ***Herein is the paradox of the left's climate agenda: The less we use fossil fuels, the more we need them.****"*
>
> *Feb 15, 2021 WSJ*

So instead of focusing just on lowering emissions, we need to give greater thought to enhancing the reliability of our energy systems. Because a less reliable system is likely going to end up costing us in terms of environmental impact, as in the case of Germany's rapid renewable adoption. Instead, by diversifying our energy sources as well as improving the efficiency in the methods we use to deliver that energy, we should be able to improve the reliability as well as reduce the environmental impact. Sadly, that's not happening.

So instead, I think we better prepare ourselves for the same experience Texas, Oklahoma, Chicago and California all recently had (Fig. 3), that, as Will Rogers puts it, came from bad judgment. The incessant push for only renewables and electrification of all our energy supplies is going to result in less access to the energy we really need when we really need it and will result in volatile energy prices, including much higher power and natural gas prices. Good thing I'm natural hedged with my PEY.TO.

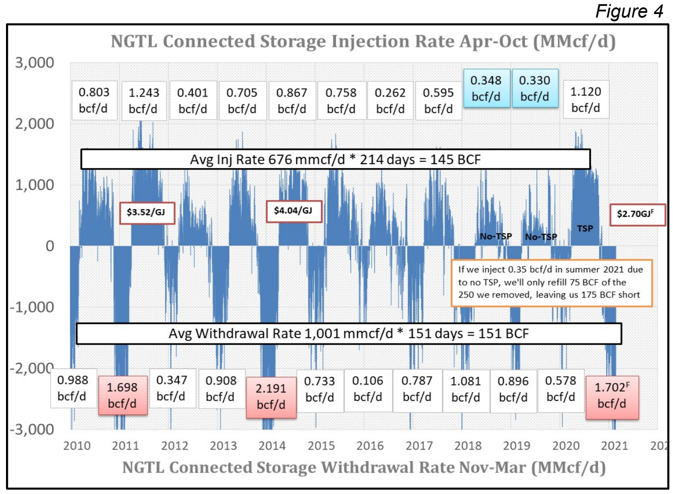
Figure 3



Activity Levels and Commodity Prices

With the recent decision by the CER to deny the extension of the TSP for the summer of 2021, the question of how much gas will be injected into storage this summer is being debated. And along with that, what will AECO prices be? While there is one more month of winter yet to occur, we'd forecast that approximately 250-260 BCF will have been removed (at an average withdrawal rate of 1.7 BCF/d) by the time we're done, making it the second largest winter draw in the last decade.

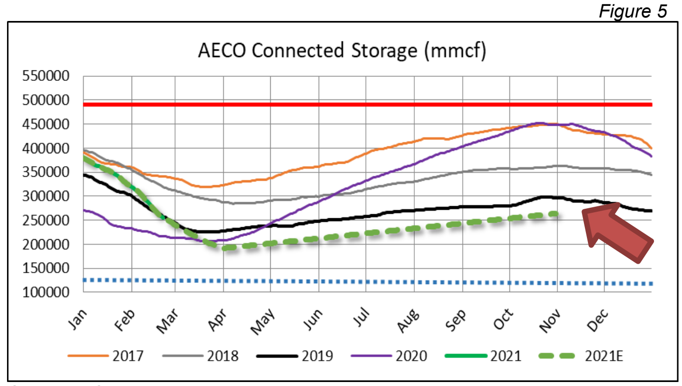
Figure 4



Source: PEY, NGTL

The summer of 2018 and 2019 gives us a preview of what to expect for 2021 summer injections during NGTL's expansion work without a TSP to ensure delivery service is available to storage operators. Those were the two smallest refills we have seen in the last decade at 0.34 BCF/d or around 73 BCF total. If that's the case, we'll only end up refilling about 30% of what we just withdrew and it will leave AECO connected storage in a very precarious state, far short of what we need for a typical winter. Albertans might be experiencing the exact same thing next winter as the Texans just did, only in our case, it won't warm up until spring.

Figure 5



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.