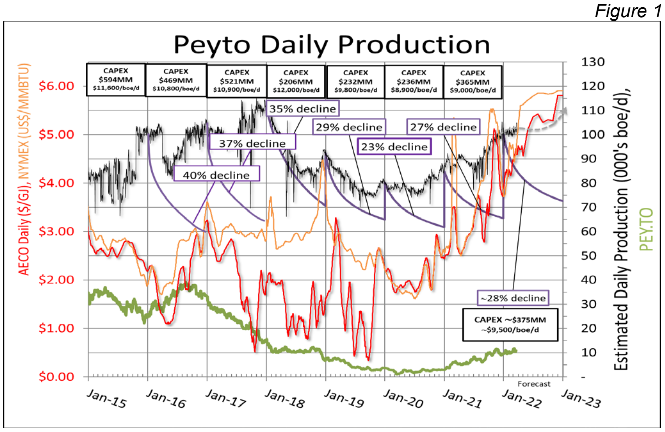
Peyto Exploration & Development Corp.
President's Monthly Report

April 2022 | From the desk of Darren Gee, Chief Executive Officer

Our Q1 drilling program is now done and the results are finally starting to show up at the sales meter with production touching 105,000 boe/d in recent days. We did have some pipeline delays (on avg 10 days/well) relating to tight labor markets and limited specialty equipment (boring rigs) but mostly achieved what we wanted in the quarter. Our new Chambers plant is starting up this weekend which will give us another little boost prior to breakup shutting down at least one drilling rig. The five rigs should be able to drill steady this summer, with less industry pressure from a busy winter season. Summer AECO futures prices still reflect a disconnection from NYMEX futures on the expectation of a restriction on access to storage (Fig. 1). It makes no difference to us as we have no exposure to AECO but Albertans will pay for it next winter if we don't fill Alberta's very empty gas storage back up again.

Figure 1



Source: Peyto, TMX, NGX

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)*

	2019	Q1 20	Q2 20	Q3 20	Q4 20	2020	Q1 21	Q2 21	Q3 21	Oct	Nov	Dec	Q4 20	2021	Jan	Feb
Acq/Disp	1	0	0	2	1	3	36	0	0	0	0	0	1	36	0	22
Land & Seismic	7	4	1	1	2	8	1	1	2	0	0	3	4	8	0	1
Drilling	86	28	20	28	29	105	34	28	43	16	20	19	54	159	18	19
Completions	65	19	9	20	22	70	18	15	26	8	7	12	27	87	9	13
Tie ins	26	7	3	6	7	23	5	4	7	2	3	4	9	25	3	3
Facilities	21	10	4	5	7	26	16	8	12	3	6	5	14	50	32	8
Total	**206**	**69**	**37**	**62**	**68**	**236**	**109**	**57**	**90**	**29**	**36**	**43**	**109**	**365**	**62**	**65**

Production ('000 boe/d)*

	2019	Q1 20	Q2 20	Q3 20	Q4 20	2020	Q1 21	Q2 21	Q3 21	Oct	Nov	Dec	Q4 21	Jan	Feb	Mar	Q1 22
Sundance	49	49	47	47	49	48	48	50	49	53	58	58	56	58	58	55	57
Ansell	15	14	14	13	16	14	17	15	15	16	16	16	16	16	16	15	16
Brazeau	13	12	14	15	16	14	17	18	18	19	13	17	16	17	17	20	18
Kakwa	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Other	2	2	2	1	1	2	4	5	5	7	7	8	7	8	8	11	9
Total	**81**	**79**	**78**	**78**	**84**	**80**	**88**	**89**	**89**	**97**	**96**	**100**	**97**	**101**	**101**	**102**	**101**
Liquids %	14%	15%	14%	14%	13%	14%	14%	14%	12%	11%	12%	11%	11%	11%	11%	12%	11%

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.

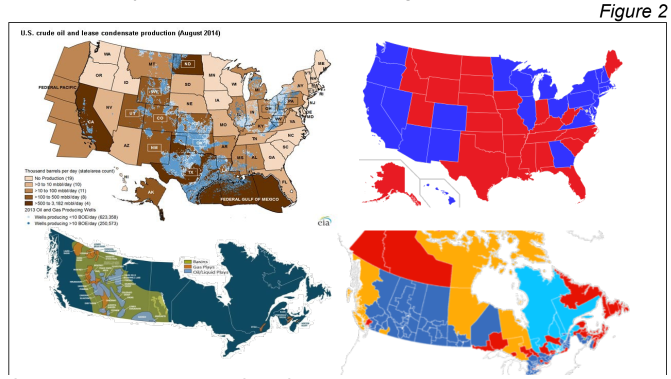
The Politics of Oil – It's Not About the Environment

Probably at no time in the history of my 30-year career in the energy industry has oil and gas been more politicized. One likely has to go back to Canada's National Energy Program in the 80's or the Arab oil embargo of the early 70's to find a time when the price of oil and availability of gasoline at the pumps was more in the minds of citizens (and politicians) than it is today. And it's not just that energy is being used as a weapon in other parts of the world, or to fund and power a military aggression (ie. Russia/Ukraine), its also being used as a means to obtain or deny political power.

Take the recent hypocrisy by the Biden government who's been pleading with every other jurisdiction, corrupt or not, (ie. Venezuela, Saudi Arabia, Iran, etc.) for increased oil output to stave off higher gasoline prices, rather than turn to their own domestic industry for increased supply. And the reason is, of course, political, because the majority of the domestic US oil reserves just so happen to lie in republican (red) states. And by promoting the development of domestic supplies, it enriches and empowers republican held states rather than democrat held states (blue).

Look at the map below (Figure 2). The light blue on the US map on the left is producing oil and gas wells, as compared to the political alignment on the right. I would suggest it is not a coincidence. Same goes for Canada, where the oil and gas reside in Western conservative leaning provinces (we are the reverse color scheme). In both countries, oil and gas is controlled by private enterprises, not governments.

Figure 2



Source: EIA, Wikipedia, NRCan, CTVNews

So of course, the Democrats and Liberals would not want a rich and strong oil industry in the hands of their opposition. Which is also why they would be strong supporters of an agenda designed to shut down and diminish such an industry - enter the Anti-Fossil Fuel campaign. It matters not that oil is the very fuel that provides our high standard of living or that powers the war machine and provides the national security we enjoy from violent dictatorships abroad (or at least powers the United States' war machine that also protects Canada).

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Which leaves the current ruling, left-leaning governments with a bit of a conundrum. How do we achieve energy self sufficiency and national security, while depriving our political competitors of their wealth and power? Especially since we, along with the media which we've paid to support us, have spent the last decade demonizing the very fuel that solves the problem. Fortunately for them, as I recently read "public policy these days is being dictated by energy ignorant masses that don't understand where their energy comes from, or how dependent on it they truly are." So, when politicians and their media argue it's the oil companies fault that energy prices are high and energy security is unavailable, those masses blindly support such arguments.

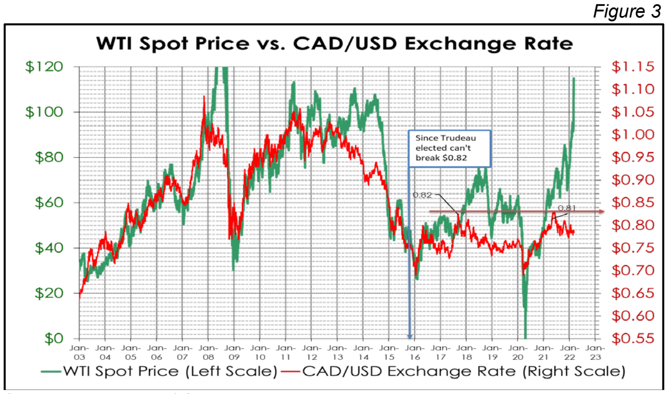
The irony is that it's those same government's policies against domestic energy development that has created the problem in the first place. And it prevents countries like Canada from financially benefitting from a global conflict that drives up oil and gas prices.

A recent Bloomberg article examined that very phenomenon.

"We don't get quite the same bang for the buck or the same torque from higher energy prices that the economy would have had in the years gone by," Douglas Porter, chief economist at the Bank of Montreal, said by telephone. The reason for the weaker link is that capital spending isn't expected to respond to higher energy prices due to environmental, social and governance pressure and the push for clean and renewable energy, economists said. The last time oil was trading near $100 a barrel -- in the first half of the last decade -- Canada's currency was near parity with the U.S. dollar, helping to shelter households from higher global price increases. Today, one Canadian dollar only buys 78 U.S. cents and that's left consumers "bearing the full brunt" of higher oil prices, Porter said.

"If you include all of the repercussions of the conflict in Europe, it's a negative for the Canadian economy on the growth side but still inflationary," Avery Shenfeld, chief economist at the Canadian Imperial Bank of Commerce, said by phone.

Figure 3

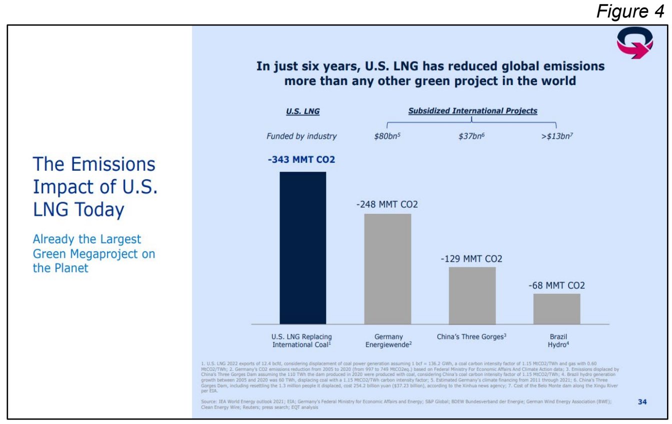


Source: EIA, Bank of Canada, Peyto

A correlation of the CAD/USD exchange rate versus WTI oil price confirms that very thesis (Figure 3). Ever since the Liberal government in Canada gained power, a higher oil price doesn't translate into a higher dollar and increased inflation protection.

In many ways its frustrating as increased domestic investment and production would result in the displacement of environmentally damaging fuels in other parts of the world. EQT recently published a presentation on the potential for US LNG to "address the energy needs of our allies and advance climate efforts by targeting the replacement of international coal".

Figure 4

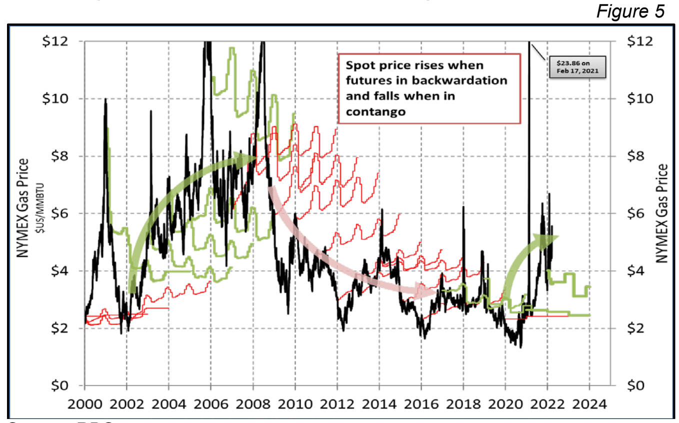


Source: EQT

If ruling governments really wanted to improve the environment and address climate change, they would embrace things like increased LNG exports, not try to shut them down. Sadly, that's not their true agenda, which is to suppress the industry that funds their competition.

Activity Levels and Commodity Prices

Figure 5



Source: RBC

I'm starting to wonder if we aren't transitioning into a longer-term demand driven market for natural gas in North America that will see rising spot prices for years to come, circa '02-'06 (Fig. 5).

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.