Peyto Exploration & Development Corp.
President's Monthly Report

March 2022 — From the desk of Darren Gee, Chief Executive Officer

Despite the distraction of likely the single largest constitutional crisis in Canadian history, and then the Russian invasion of Ukraine, the hard-working folks across our great nation, like those here at Peyto, continue to remain focused in their efforts to deliver the necessary resources, goods, and services to keep the furnaces running, lights on, and food on the table for the citizens of Canada. To that end, we announced on Feb 16 that our producing reserves had grown 11% in 2021 while Q4 production was up 18% from the previous year. And we are going to attempt to do even more in 2022 with a 10% larger capital budget. As I indicated in my January report, the established gas reserves in Alberta are the smallest they've been in the last 50 years, yet consumption the highest, and without an ability to license new gas wells in BC, any aspirations for a cleaner power grid or potential hydrogen future is in severe jeopardy. Unfortunately, the continued "death to fossil fuels" narrative prevents our industry from attracting the necessary manpower to grow our developed gas reserves in a meaningful way. Perhaps, sadly, it will take war to change all that.

Production for February was flat to January as we worked on several pad wellsites; getting wells drilled, completed, and tied in. A surge of new production in March, including the startup of our new Chambers plant, should carry us through the second quarter until the next round of development drilling comes on.

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). Note, a recent working interest election relating to new wells brought on prior to Q4, was accounted for in November's production as indicated below.

Capital Summary (millions$ CND)*

	Q3 19	Q4 19	2019	Q1 20	Q2 20	Q3 20	Q4 20	2020	Q1 21	Q2 21	Q3 21	Oct	Nov	Dec	Q4 21	2021	Jan
Acq/Disp	0	0	1	0	0	2	1	3	36	0	0	0	0	0	1	36	0
Land & Seismic	1	2	7	4	1	1	2	8	1	1	2	0	0	3	4	8	0
Drilling	14	36	86	28	20	28	29	105	34	28	43	16	20	19	54	159	18
Completions	10	21	65	19	9	20	22	70	18	15	26	8	7	12	27	87	9
Tie ins	3	9	26	7	3	6	7	23	5	4	7	2	3	4	9	25	3
Facilities	8	5	21	10	4	5	7	26	16	8	12	3	6	5	14	50	32
Total	**37**	**73**	**206**	**69**	**37**	**62**	**68**	**236**	**109**	**57**	**90**	**29**	**36**	**43**	**109**	**365**	**62**

Production ('000 boe/d)*

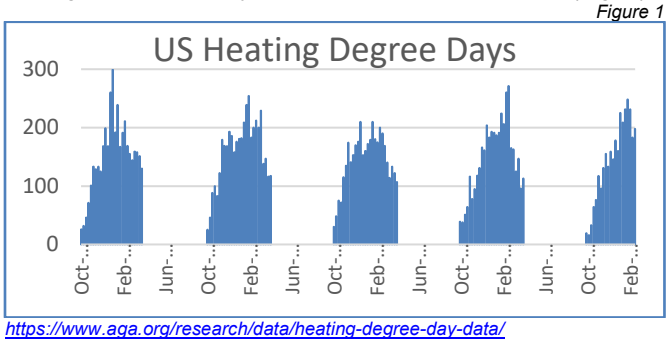
	2019	Q1 20	Q2 20	Q3 20	Q4 20	2020	Q1 21	Q2 21	Q3 21	Oct	Nov	Dec	Q4 21	Jan	Feb
Sundance	49	49	47	47	49	48	48	50	49	53	58	58	56	58	58
Ansell	15	14	14	13	16	14	17	15	15	16	16	16	16	16	16
Brazeau	13	12	14	15	16	14	17	18	18	19	13	17	16	17	17
Kakwa	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Other	2	2	2	1	1	2	4	5	5	7	7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

Not Enough Storage

So far, this winter hasn't registered as a particularly cold one in North America *(although some places may argue otherwise)* when you compare the total heating degree days in the US to the past few winters. The total HDDs for 2021/22 from October to the middle of February is around 3,000 versus the average of the prior 4 years which was around 3,100 (Fig. 1).

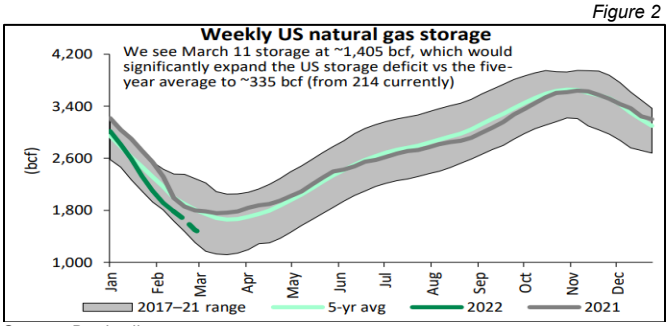
Figure 1



https://www.aga.org/research/data/heating-degree-day-data/

So, you would probably be surprised when you consider US natural gas storage levels this winter have gone from above average to well below average. Of course, the reason for that is increased LNG exports to energy hungry nations in Europe and Asia.

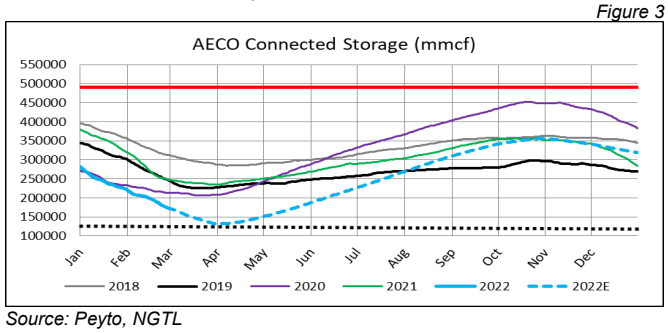
Figure 2



Source: Desjardins

Up here in Canada, the storage drawdown (350 BCF to 170 BCF) has been even more severe, and since we don't have LNG exports (yet), most of it has to do with weather, although we have been exporting a bit more to the US.

Figure 3



Source: Peyto, NGTL

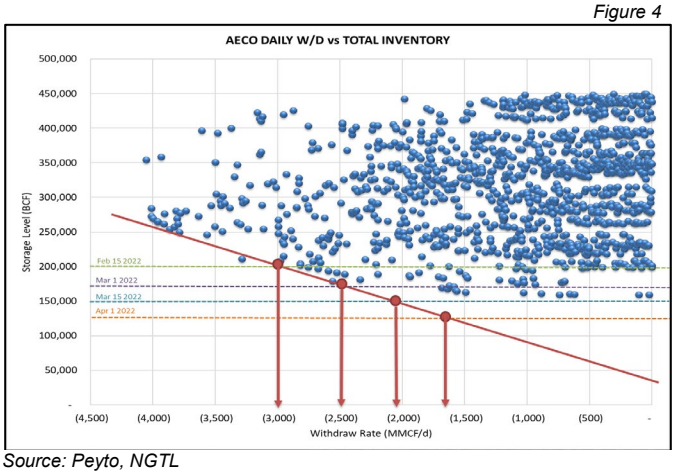
Suite 300, 600 – 3rd Avenue SW
Calgary, AB T2P 0G5
Fax: 403 451 4100

TSX Symbol: PEY
E-mail: info@peyto.com

Anyone who's ever run out of gas in their car will tell you that things don't really get interesting until the warning light comes on, and natural gas storage analysis is similar. But unlike your car, where you can travel at a constant speed until you reach empty, a natural gas storage reservoir slows down as it approaches empty. The capacity of the compressors withdrawing gas and the productivity of the wells will drop as the pressure in the tank (reservoir) falls.

A plot of the withdraw rate versus storage level for AECO connected storage illustrates this phenomenon (Figure 4). And when we project where we think storage levels will be on April 1, based on forecast weather and current flows, withdrawal capacity will be significantly reduced, down from 4 BCF/d when levels are above 250 BCF to 2 BCF/d at 150 BCF.

Figure 4



Source: Peyto, NGTL

Normally this isn't something to worry about because as we approach springtime and storage gets low, the weather warms up and we don't need to call on storage for that much supplemental gas. However, the quicker we get to empty, the greater the worry. For instance, if cold weather and freeze offs cause us to drop below 150 BCF of connected storage in mid March or earlier, and we're hit with cold weather that requires a hard pull on storage, it may not be there. That's when things get interesting.

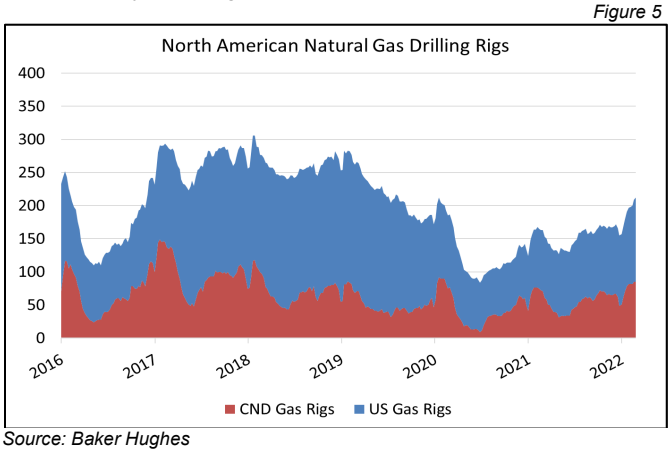
The first thing that happens is gas flows out of Alberta get cut. Then flows to industrial areas within Alberta (ie. Oilsands). And lastly, to the residences of Alberta and power generators. Of course, cutting off flows to Eastern Canada markets like Dawn will cause prices there to rise, but there will also be a commensurate response in Alberta at AECO.

From that perspective, natural gas storage is similar to your savings account at your bank, being able to withdraw your money is not something you even think about, until they say you can't have it, then it becomes really important.

Activity Levels and Commodity Prices

While the rig count in Canada seems to be limited by manpower (and the negative sentiment towards oil and gas jobs) rather than commodity prices, the US rig activity has been steadily climbing of late.

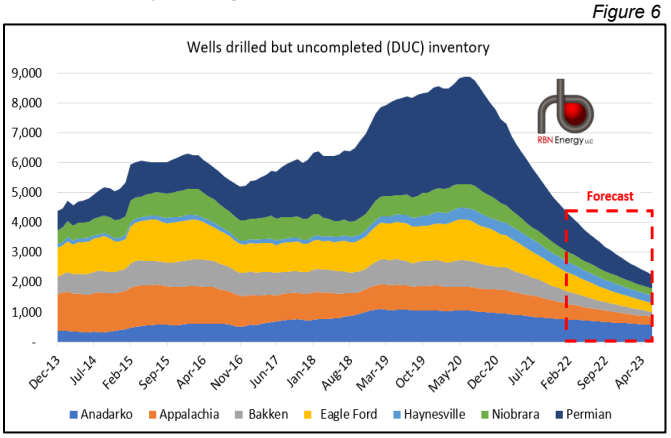
Figure 5



Source: Baker Hughes

Perhaps that's driven by the recent EIA announcement that the total amount of drilled but uncompleted wells (DUCs) in the 8 most prolific producing basins in the U.S. is now down by half of what it was 18 months ago. The Permian DUC count, for instance, has fallen 62% in the past 20 months and is dropping at rate of 6% per month. Even if we assume the remaining DUCs are capable of being completed and brought online (not all are), new production additions in the US are going to take longer as they will come from brand new wells, rather than already drilled wells that just need to be completed. That realization is likely why the backwardation in the futures curve for WTI and NYMEX prices is slowly flattening out. New supply may not be "just around the corner" as we've always thought.

Figure 6



Source: RJ, RBN, EIA

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.