Peyto Exploration & Development Corp.
Monthly Report

March 2024 **By Jean-Paul Lachance, President and Chief Executive Officer**

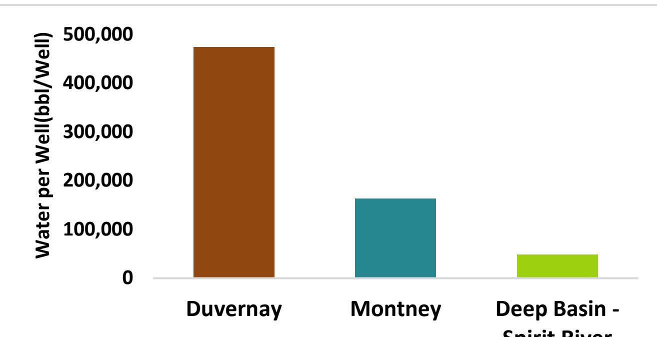
The Deep Basin Advantage

When Peyto first got started 25 years ago, the Company focused its efforts on developing natural gas assets in the Alberta Deep Basin. This area was targeted deliberately because the deposits from the Cretaceous period contain multiple layers of sweet, liquids-rich natural gas without the risk of underlying mobile water. Estimates of the size of resource vary between 500–1500 TCF[1] of original gas in place. While the unconventional Montney (and now, Duvernay) plays have become more popular over the last decade, Peyto has continued in the Alberta Deep Basin (one of few) because of several advantages we still see, today. Over our history, Peyto has amassed 1.1 million net acres of mineral land rights, drilled over 1300 horizontal wells totaling over 5,000 km of measured length, and developed, acquired, and discovered over 10 TCFe[2]. And we have only just begun.

Peyto's renowned low costs, both finding new reserves and producing them, are no accident. Beyond our strategy to "Own and Control" our reserves and production, there are several reasons why the Alberta Deep Basin lends itself to a low-cost, high margin play area.

Firstly, the tight sandstone rocks in the Cretaceous zones are predominantly filled with sweet natural gas that contains varying amounts of liquids but not mobile water. The hydrocarbon liquids extracted compliment the revenue stream and the sweet gas means less expensive processing is required over sour[3] gas. The lack of mobile water in the reservoirs reduces water handling costs on surface and provides a stable predictable production stream that extends the life of our wells. The Deep Basin's tight sandstone reservoirs have generally better permeability than the Montney (siltstone) or Duvernay (shale) plays which means it takes less energy to free those molecules for them to flow to the surface. The result is less water and sand are pumped to fracture stimulate the wells — a lot less! (see Figure 1). The lower fracture intensity translates to lower finding costs, a smaller surface footprint, and lower emissions intensity. We also try to recycle as much water as we can during flowback operations to limit fresh water use and only draw what we need from sources below ground. This ultra-low water use helps to limit the effects on our capital program should drought conditions occur.

Figure 1 - Average Injected Water per Well, Alberta 2022



Source: Internal calculations using AccuMap data by S&P Global

Secondly, the multiple stacked reservoirs (~13) prevalent in the areas Peyto operates, help to lower the risk of developing reserves and provide significant cost savings by allowing the reuse of surface infrastructure over and over as each play is developed. As we drill down to deeper targets, we get a "free" look at the shallower zones that we can pursue, later. Peyto typically uses a telescopic double drilling rig that is suited for the depths and lengths we drill and allows for quicker mobilization than those used in other unconventional plays. Our nimble drilling operations equates to lower costs and faster cycle times to get production to one of our gas processing plants and a quicker payback of shareholder capital invested in our wells.

Lastly, the Alberta Deep Basin is situated ideally on the NGTL and Alliance transmission pipeline systems that take gas to major markets in the US and Canada. Situated downstream of the congested Montney development allows for easier and cheaper access to these other markets. The availability of capacity in gas processing facilities and major pipeline systems is abundant as many other operators have moved their capital programs elsewhere and facilities that were once full, now have ample capacity. Peyto's recent acquisition of Repsol's Deep Basin gas plants which were only at 34% capacity when purchased, is a good example. This available processing and egress capacity will allow Peyto to grow without large new infrastructure investments in the future.

Peyto has take exploited the Deep Basin Advantage over the last 25 years with industry leading costs and profitable growth. With over 3400 locations[4] still to drill, we expect to continue our track record for many years to come.

Operational Highlights

We continue to drill with 4 rigs and tied in another six wells in February as the rigs moved off pad locations in late January. Capital spending will be prudent as we keep a watchful eye on commodity prices going forward through the summer. For now, we are targeting the low end of our $450 to $500 million capital guidance.
See below for a summary of our latest monthly capital expenditures and field production estimates.

Capital Investment ($C millions)[1]

	Q1 22	Q2 22	Q3 22	Q4 22	2022	Q1 23	Q2 23	Q3 23	Q4 23	2023	Jan 24
D,C,E&T [2]	95	80	98	98	**371**	89	72	81	91	**333**	**28**
Facilities	47	21	16	16	**100**	32	9	11	12	**64**	**7**
Other [3]	1	8		1	**10**	1	1	1	12	**16**	**-**
Acquisitions [4]	22		26		**48**						**-**
Total	166	108	140	115	**529**	122	82	94	115	**413**	**35**

Production (mboe/d)[1]

	2022	Q1 23	Q2 23	Q3 23	Oct 23	Nov 23	Dec 23	Q4 23	2023	Jan 24	Feb 24
Sundance	**76**	71	67	66	78	91	94	87	**73**	89	**95**
Brazeau	**23**	27	28	28	28	29	29	29	**28**	28	**27**
Other	**5**	5	4	4	4	4	4	4	**4**	5	**5**
Total	**104**	**103**	**99**	**98**	**110**	**124**	**127**	**120**	**105**	**122**	**127**
Liquids %	**12%**	12%	11%	11%	12%	14%	13%	13%	**12%**	13%	**13%**

1. *This estimate is based on field data, not a forecast, but actual numbers will vary from the estimate due to accruals and adjustments. Such variance may be material. Tables may not add due to rounding.*
2. *Well related costs including Drilling, Completions, Equip and Tie-in.*
3. *Other costs include Land, Seismic, and Miscellaneous.*
4. *Acquisitions costs include asset and corporate deals but does not include the acquisition of the Repsol partnership*

March 2024 **By Jean-Paul Lachance, President and Chief Executive Officer**

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, current fixed revenue projections for 2024, production decline rates and forecast netbacks, contains forward-looking statements. Reserves disclosures are also forward-looking information, including the volumes and the life of Peyto's reserves, production estimates, project economics including NPV, IRR, netback and recycle ratio. 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.

NON-GAAP AND OTHER FINANCIAL MEASURES

Peyto employs certain measures to analyze financial performance, financial position, and cash flow. These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as long-term debt, net income (loss), cash flow from operating activities, and cash flow used in investing activities, as indicators of Peyto's performance.

References:

1. *"A Review of Deep Basin Gas Reservoirs of the Western Canada Sedimentary Basin" by Thomas Moslow published by The Mountain Geologist, July 2006, Volume 43, Number 3.*
2. *Refer to Peyto's Reserves Press Release, Feb 15 2024, Page 3*
3. *Sour gas is contaminated with hydrogen sulphide which must be removed from the sales gas stream typically using an amine contactor and then injected in an acid gas disposal well or transformed into solid/liquid sulphur.*
4. *Drilling locations are a combination of internal estimates (~1800 gross) and booked locations (1608 gross) contained in the GLJ reserves report effective December 31, 2023.*