

Peyto Exploration &  
Development Corp.

26  
Annual General Meeting  
May 12, 2015





## Forward looking statements

I am going to tell you about my vision of Peyto's future today. I will also tell you where I think commodity prices are going to go. These are called forward looking statements. I am being truthful and using everything I know about Peyto and the industry to predict the future but I will likely be wrong on both, almost certainly the commodity price. Oil and gas exploration and production is a risky business. Do your homework before making any investment. Don't blame me if it doesn't work out.

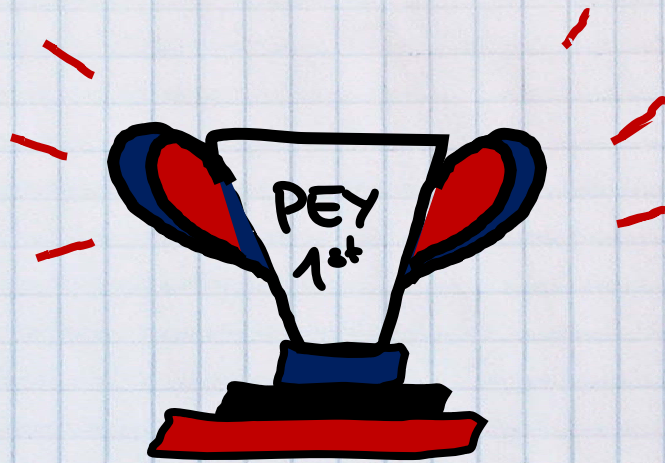
PEY.TO

Oct'98-Oct'14

Sweet 16!



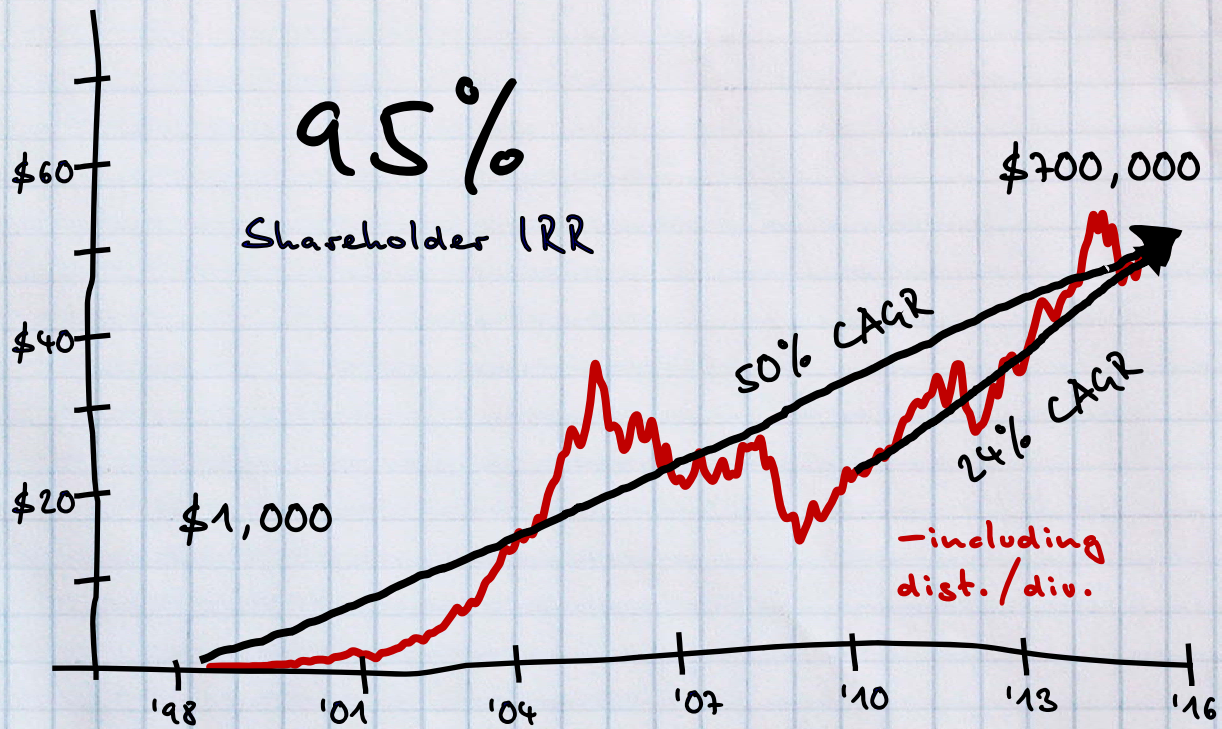
TSX total return over 16 years



\* Other E&Ps: VET 9th, ARX 20th, CNQ 34th



# Peyto's Share Performance



How do they do it?



How Peyto

Works

Don't do what others do

Family \$\$ = partnership

Make money on money  
(not make your money my money)

Lowest possible risk

Can we repeat and predict  
the result?

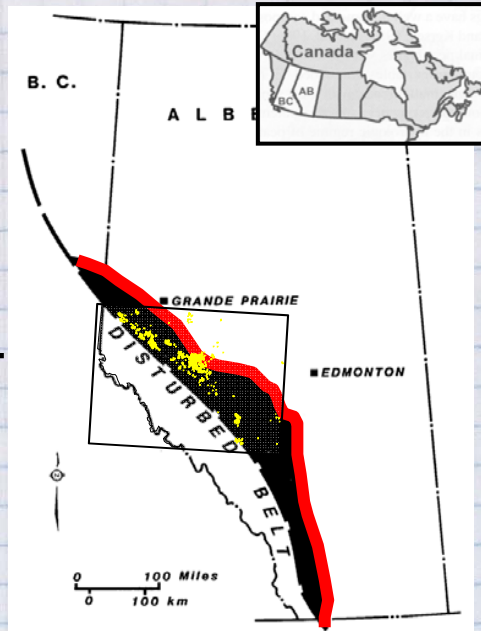


## The Payto Strategy

- Invest in our own ideas
- Build it ourselves
- Operate it ourselves
- Focus on Maximum Return
- Stay concentrated, lean & efficient

Pure  
play  
Alberta  
Deep  
Basin

Liquids  
rich,  
sweet,  
tight gas

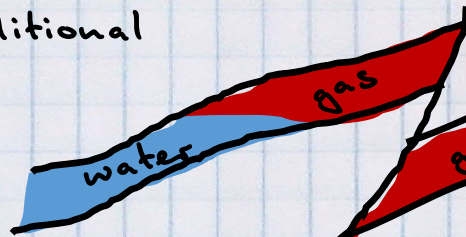


99% of production operated  
97% is processed in one of  
9 gas plants (97% owned)

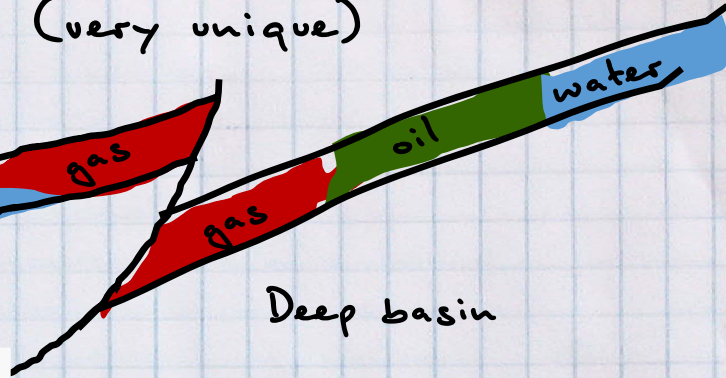


## Deep Basin Trap (very unique)

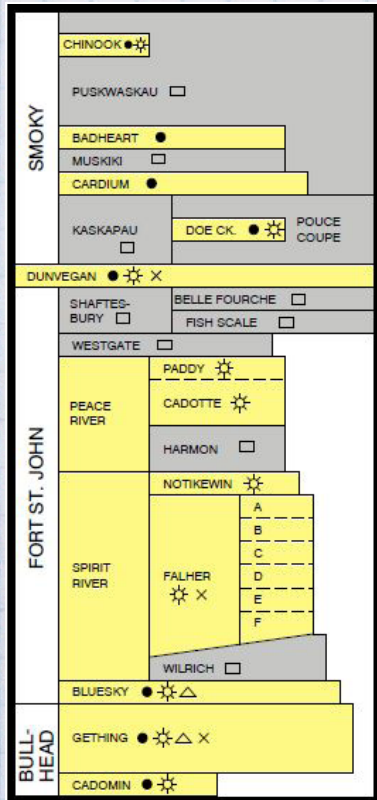
traditional



Deep basin



Gas in the Deep Basin sands stays in the downdip position because fluids can't move thru the tight rock to displace the gas updip.  $\therefore$  No risk of wells "watering out."



31 Future Potential

563 We have over 1900 locations identified in several proven formations

18

34

180

61

382

16

411

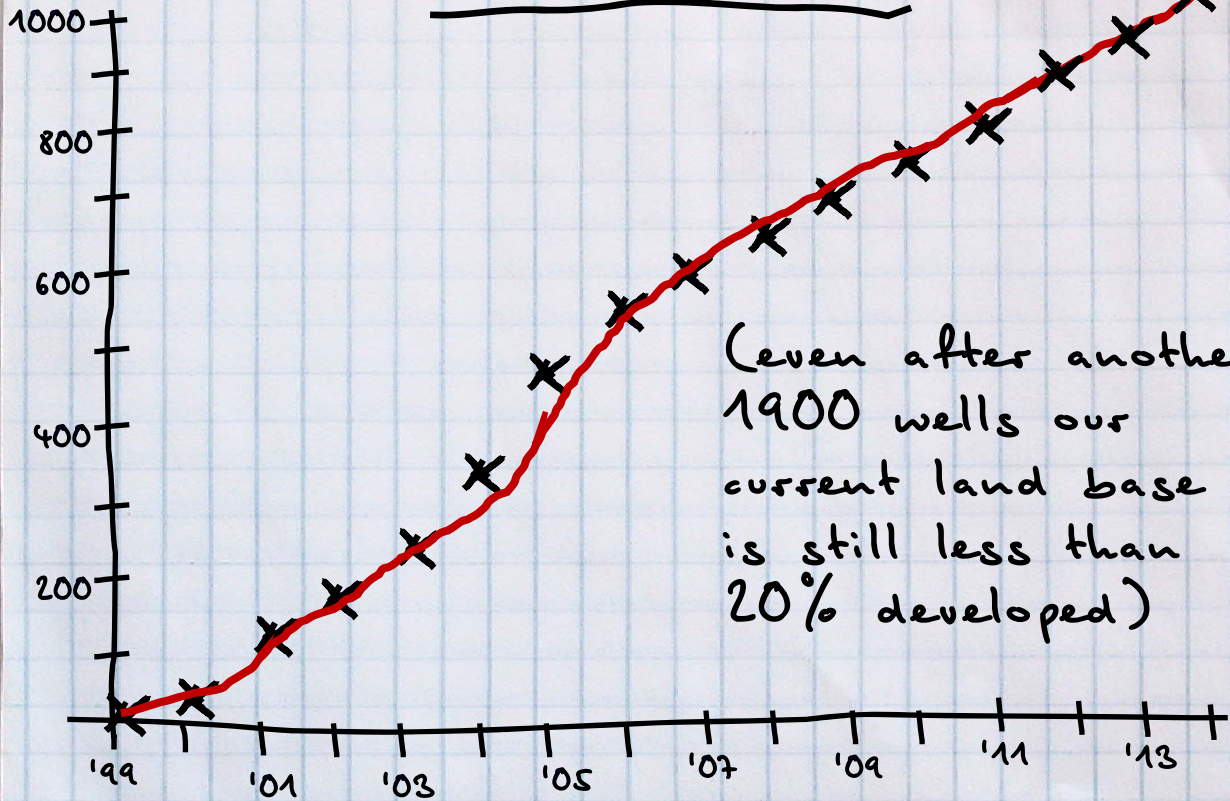
103

232

1984 (over 10 yrs)



Cum. wells drilled



(even after another 1900 wells our current land base is still less than 20% developed)

2000-2014  
Peyto's Track Record (last 15 yrs)

Build it  
(PDP FD&A)

Produce it  
(Roy, Opex, transp, G&A, int)

Sell it

$$(\$1.95 + \$1.95) + \$6.65$$

$$= \$2.75/mcfe$$

41% Profit (pretty simple!)



## Last Year's Results (2014)

Build it      Produce it      Sell it

$$(\$2.25 + \$1.08) + \$5.04$$

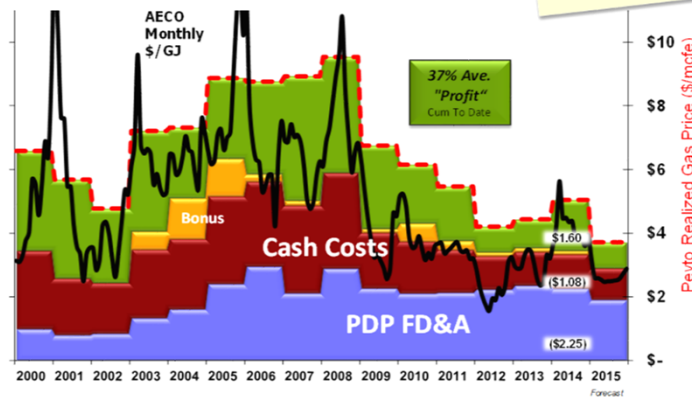
$$=\$1.71/\text{mcf}$$

34% Profit (even w/low gas price and largest capex)

# PEYTO'S TRACK RECORD

## Peyto's Profitable Business Profitable Even Through The Lows

"Peyto has always built it and produced it for less than we sell it, despite where we are in the commodity price cycle. That's the power of the low cost producer."



Total Cash Costs per mcf includes - Royalties, Op Costs, G&A, and Interest  
PDP FD&A - Proved Developed Producing Finding Development & Acquisition Costs

11  
4/23/2015

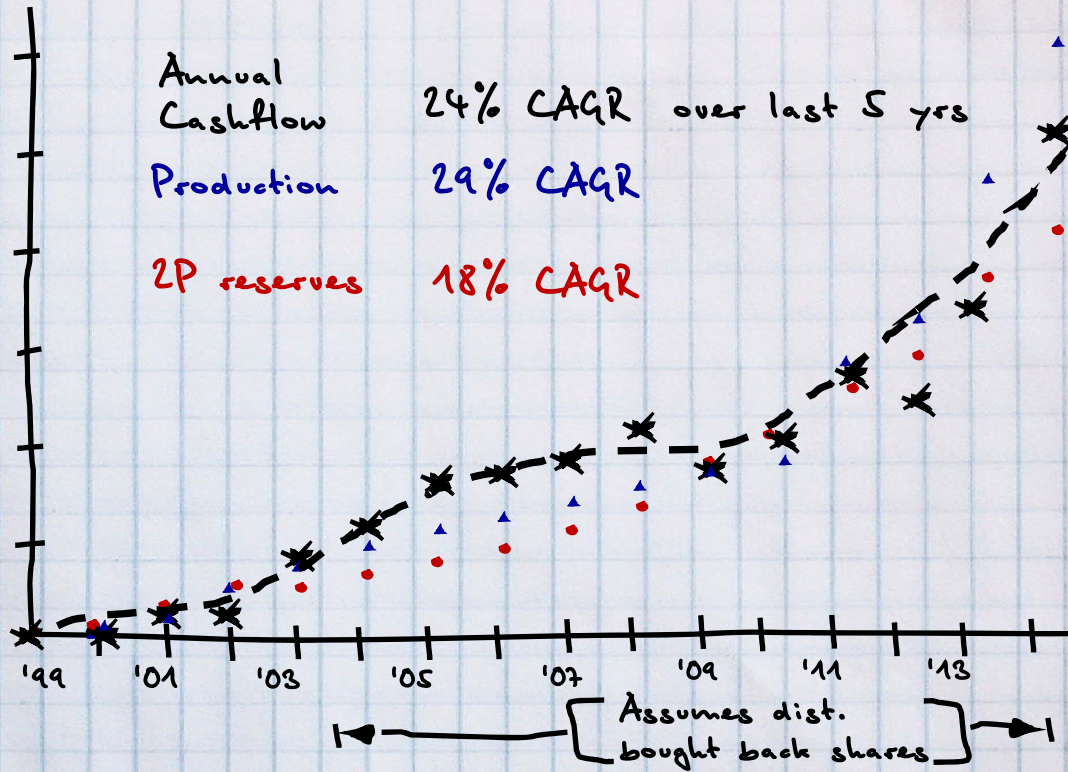
\*Build costs have been flat even though gas prices down, should come down with oil prices falling

\*Producing costs have been coming down

\*There was profit created at all commodity prices



# GROWTH PER SHARE

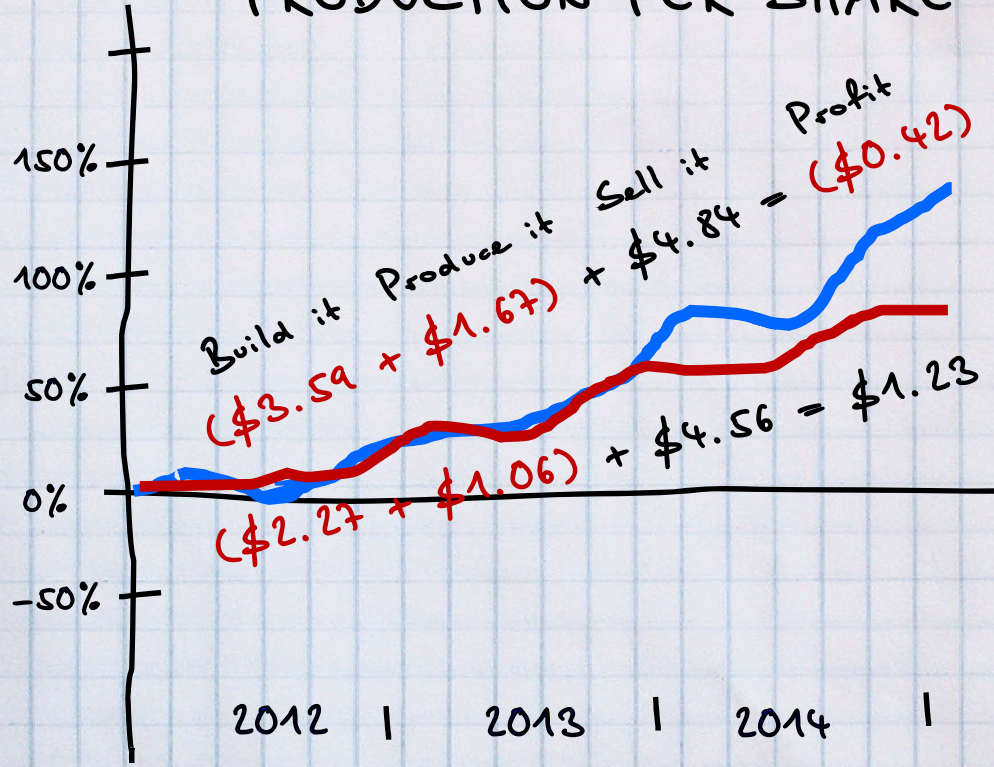


## The Payto Strategy

- Invest in our own ideas
- Build it ourselves
- Operate it ourselves
- Focus on Maximum Return
- Stay concentrated, lean & efficient

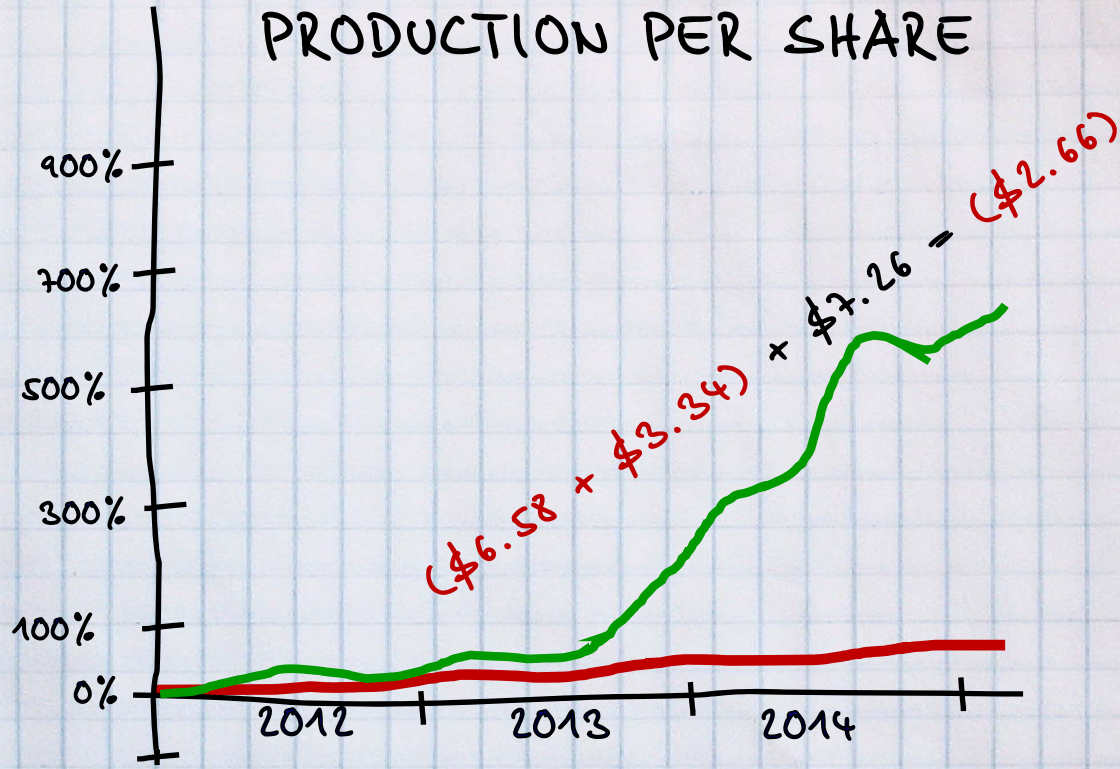


# PRODUCTION PER SHARE



2012 | 2013 | 2014 |

# PRODUCTION PER SHARE

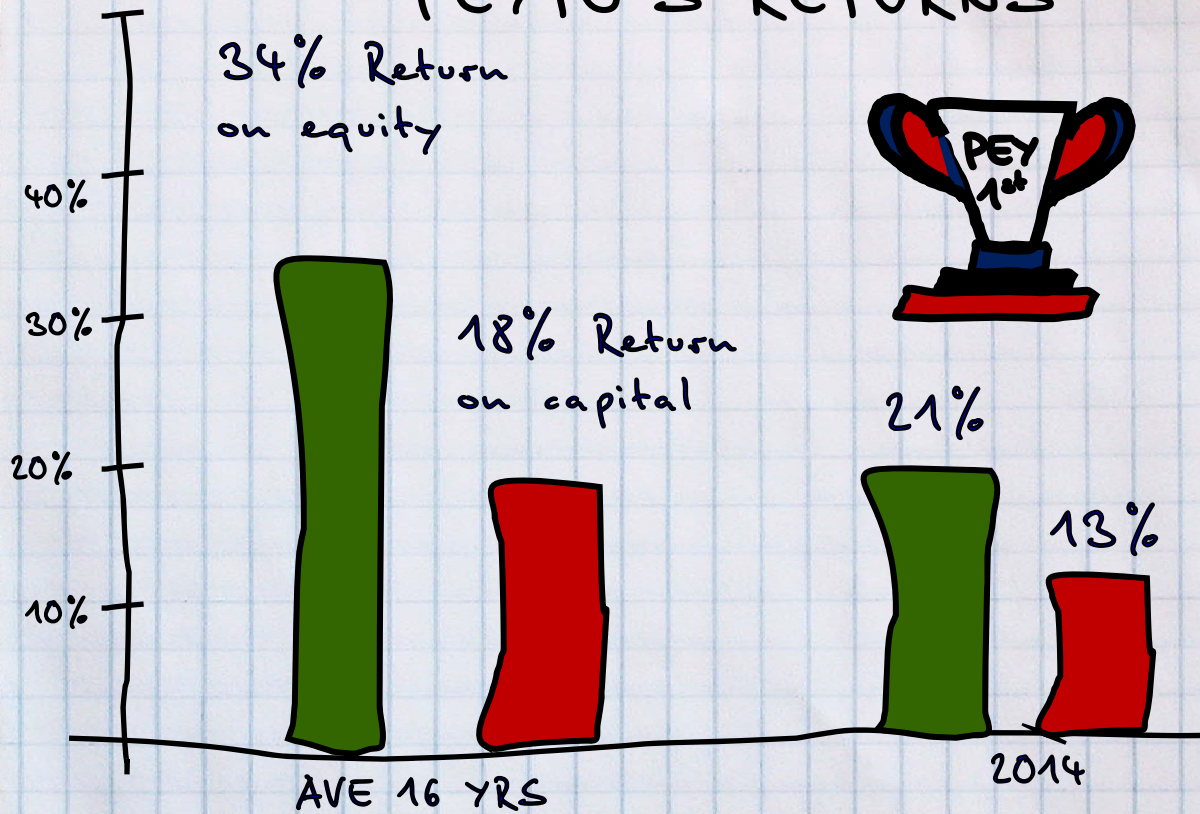


$$(\$2.27 + \$1.06) + \$4.56 = \$1.23$$

$$(\$6.58 + \$3.34) \times \$7.26 = (\$2.66)$$



# PEYTO'S RETURNS



After 16 years and  
1,000 wells...

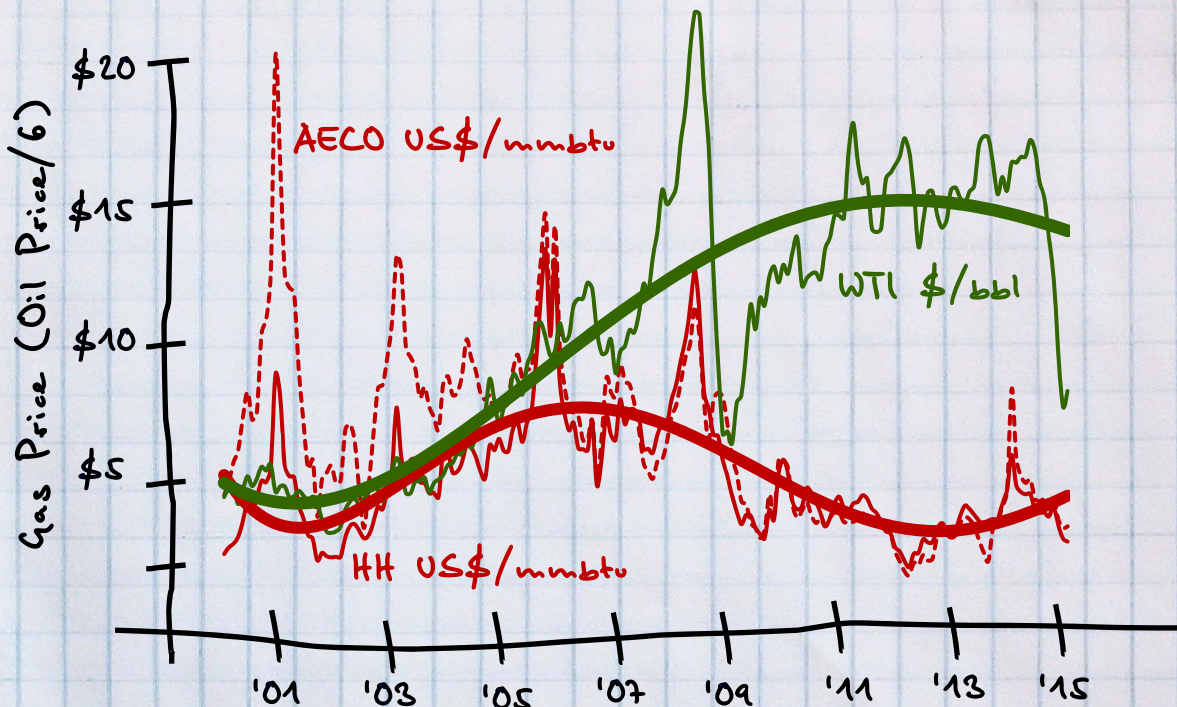
What have we  
learned?



Build a stable,  
solid foundation

But keep your plans  
very fluid

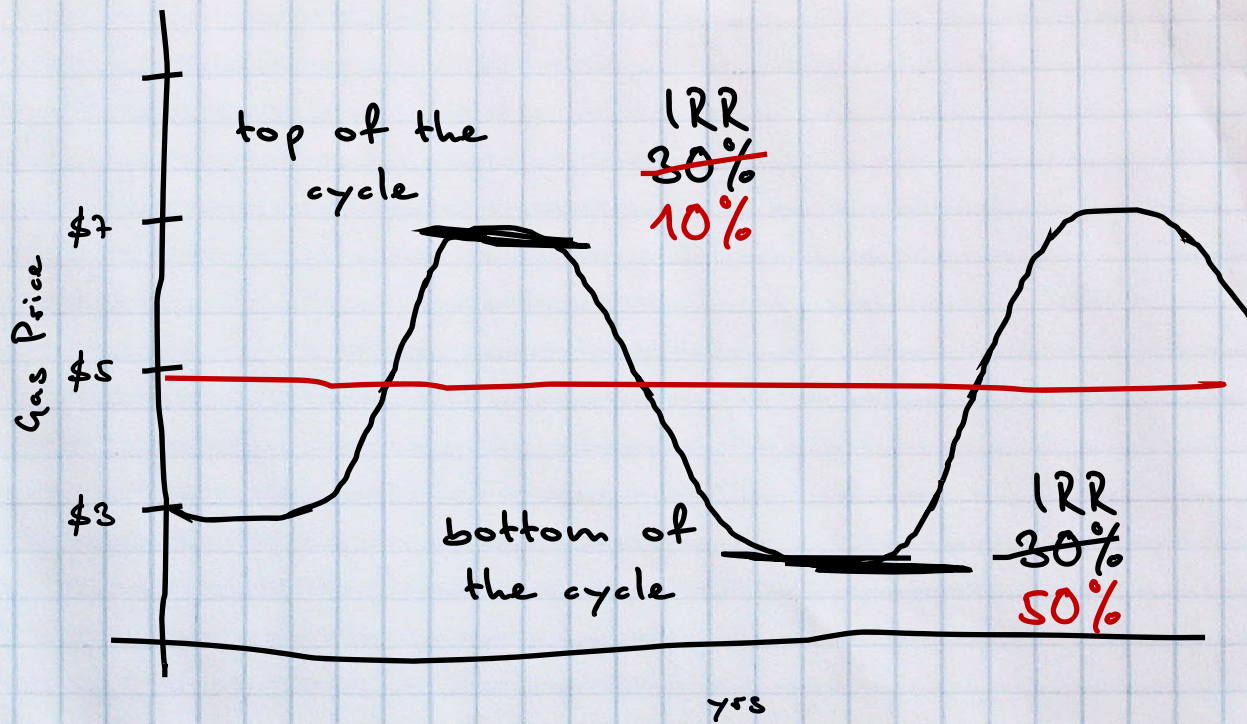
## Commodity Prices Are Cyclical\*



\*Industry activity follows commodity prices.

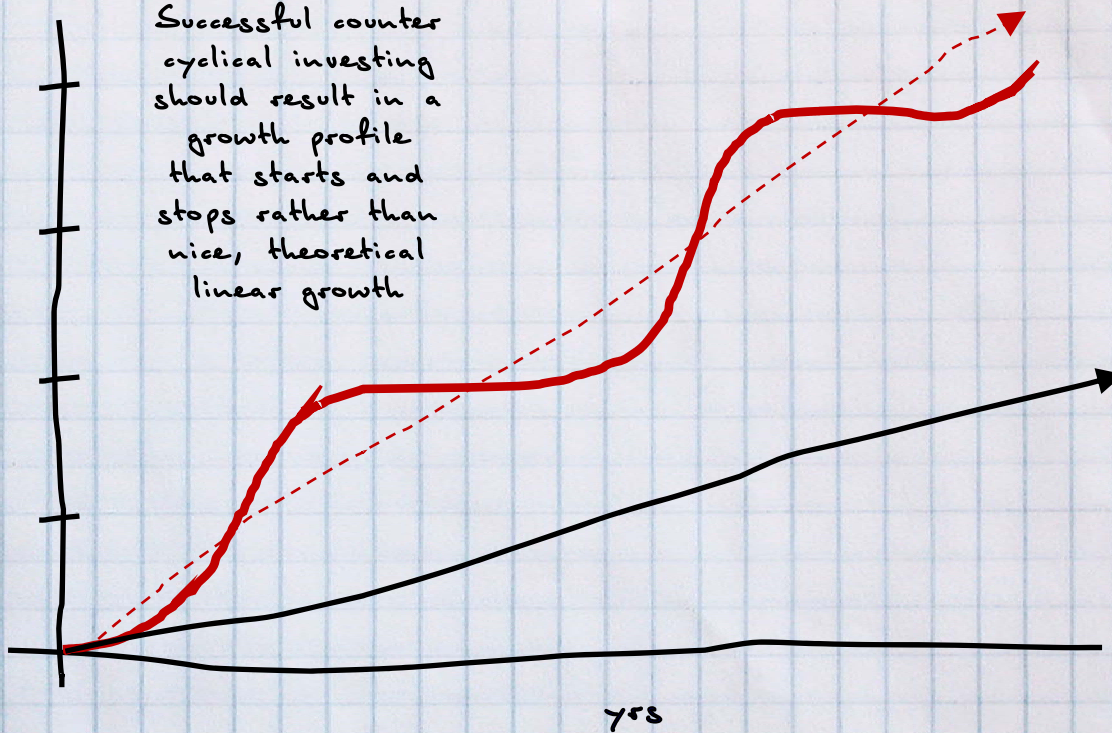


# Invest Counter Cyclical for Max Return



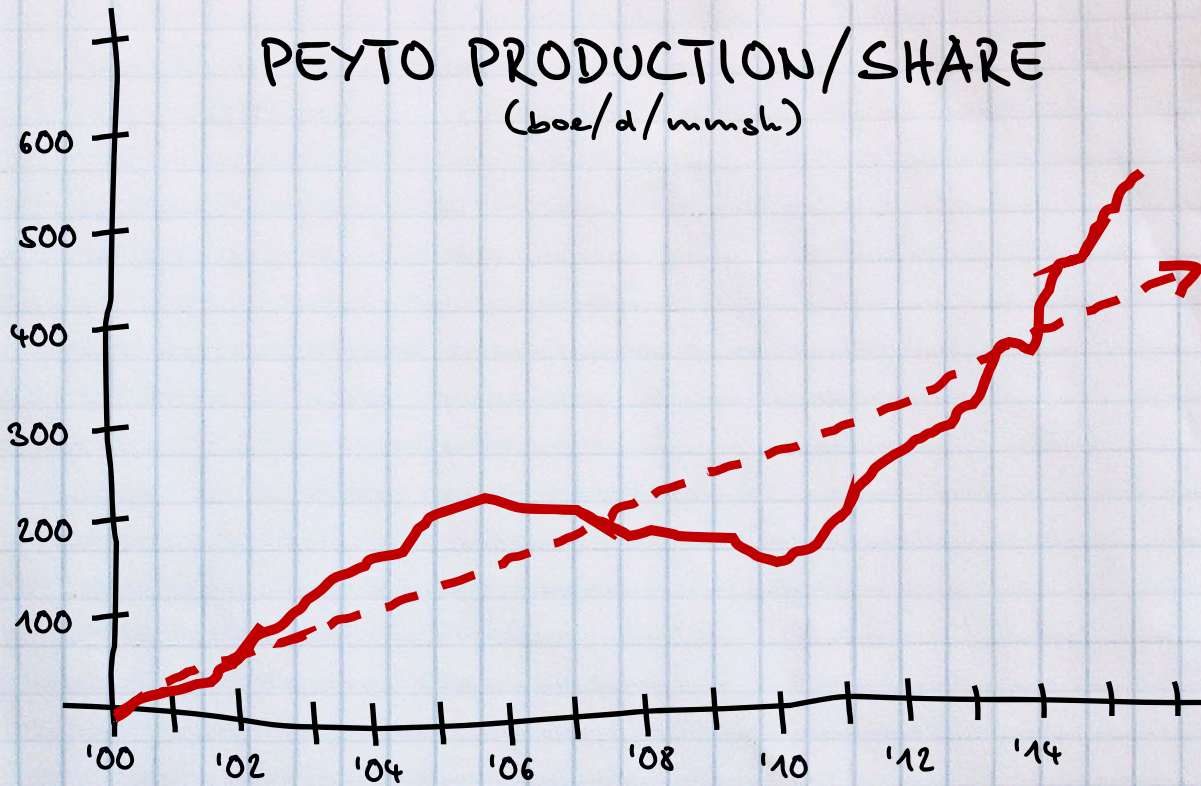
## Counter Cyclical Growth Profile

Successful counter cyclical investing should result in a growth profile that starts and stops rather than nice, theoretical linear growth

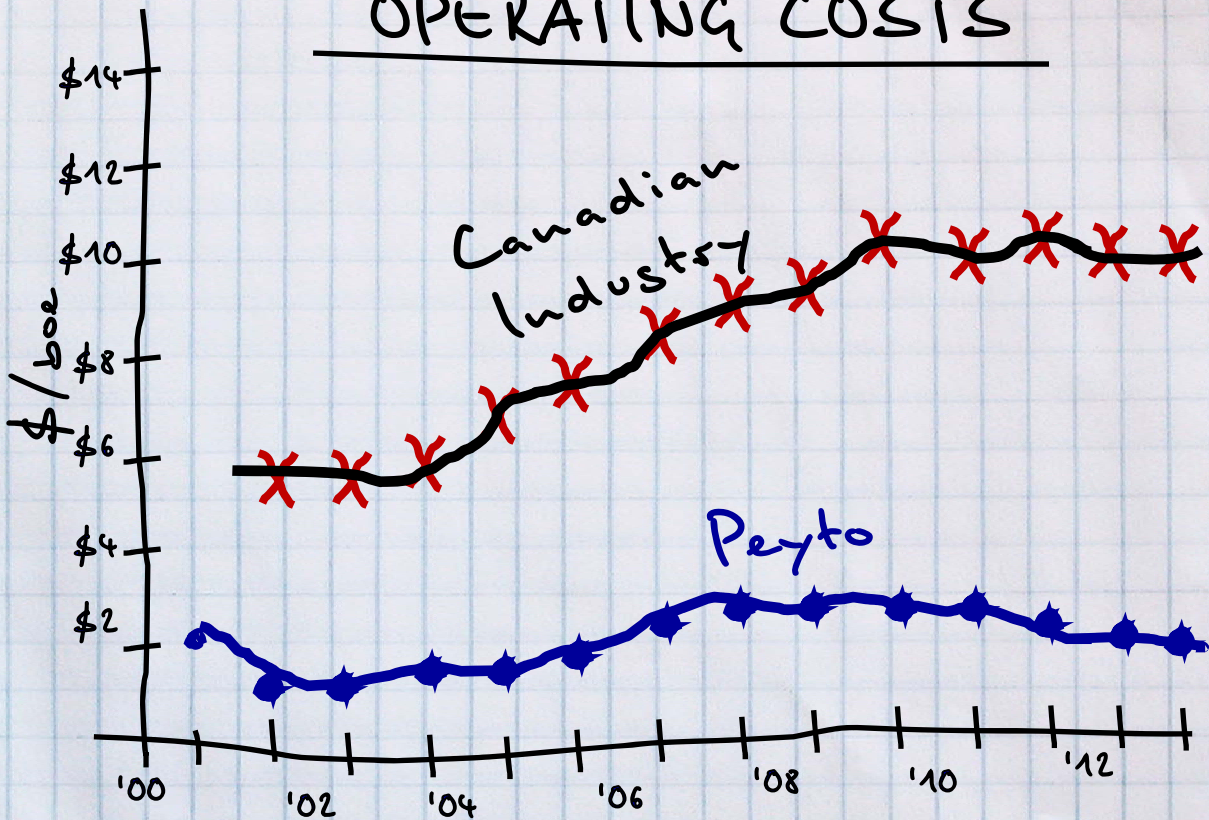




# PEYTO PRODUCTION/SHARE (boe/d/mmsh)

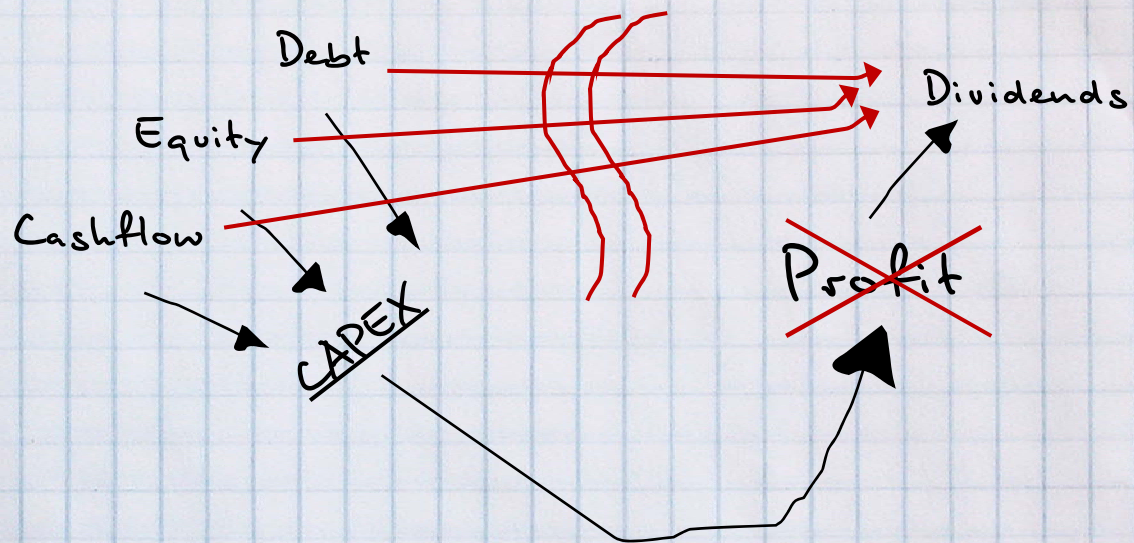


# OPERATING COSTS



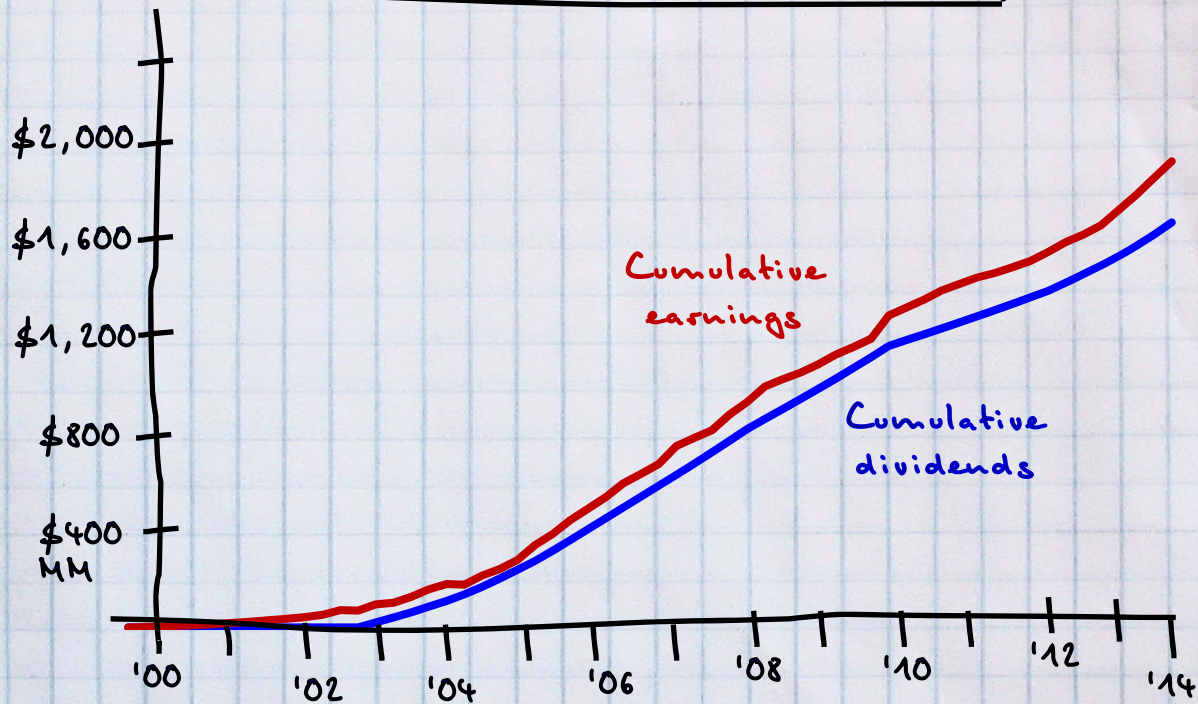


## Dividends come from profits



\*If there is no profit, dividends are coming from sources of capital. That's not sustainable.

# Dividend Sustainability





## RECAP WHAT WE KNOW NOW

- ✓ Commodities and industry are cyclical
- ✓ Counter cyclical for max returns
- ✓ Lowest cost producer is best
- ✓ Real profit for sustainable yield

## The Payto Advantage

- Lowest cost producer
- Very profitable
- Long, consistent track record
- Concentrated
- Innovative
- Huge potential



## 2015 PLANS

575-625 MM\$  
Capital program  
(biggest year!)

Drilling 125 wells  
Installing pipelines  
Building facilities  
Shooting seismic  
Buying lands

~~100,000 boe/d~~

30% Profit

Questions?

PEYTO



Exploration & Development Corp.