

# highlights

# report from president

# quarterly information

# financial statements

Nine Months Ended September 30	2000	1999	% Change
<b>Operations</b>			
Production			
Oil & NGLs (bbl/d)	215	36	497
Natural gas (mcf/d)	5,889	549	973
Barrels of oil equivalent (boe/d 10:1)	804	91	784
Average product prices			
Oil & NGLs (\$/bbl)	37.73	19.81	90
Natural gas (\$/mcf)	5.14	3.11	65
Average operating expenses (\$/boe)	3.73	5.37	(31)
<b>Financial (\$000)</b>			
Revenue	10,468	668	1,467
Royalties (net of ARTC)	2,396	224	970
Funds from operations	6,511	103	6,221
Net earnings (loss)	2,960	(8)	-
Capital expenditures	23,766	2,141	1,010
As at September 30			
Working capital surplus (deficit)	(1,389)	(298)	366
Long-term debt	10,219	400	2,455
Shareholders' equity	14,765	1,687	775
Total assets	33,321	3,586	829
Common shares outstanding (000)	37,699	13,109	188
Weighted average common shares outstanding (000)			
	31,865	12,947	146
<b>Per share data (\$/share)</b>			
Funds from operations			
Basic	0.20	0.01	1,900
Fully diluted	0.19	0.01	1,800
Earnings (loss)			
Basic	0.09	(0.00)	-
Fully diluted	0.09	(0.00)	-

PEYTO Exploration & Development Corp. is pleased to present its third quarter financial and operating results for the period ended September 30, 2000.

### Quarterly Review

Production increased 1,011% to 1,256 boe per day (barrels of oil equivalent with natural gas production converted on a 10:1 basis) from 113 boe per day in the same period in 1999. Peyto produced 9.4 million cubic feet (mmcf) of natural gas and 313 barrels of oil and natural gas liquids per day. As a result of this production growth combined with the increase in commodity prices, quarterly cash flow increased to \$3,805,000 (\$0.11 per share) and earnings to \$1,715,000 (\$0.05 per share). Product prices averaged \$5.55 per mcf of gas and \$38.83 per barrel of oil and natural gas liquids with associated operating costs of \$3.15 per boe. Capital spending totaled \$5,383,000 for the quarter.

During the quarter, Peyto connected an additional four (3.2 net) operated gas wells to the Sundance plant. Two (1.0 net) wells were drilled and completed and two (1.3 net) wells were re-entered and completed.

### Activity Update

Expansion of the Sundance plant from 10 to 20 mmcf per day is scheduled to be complete by November 25, 2000. Upon completion, Peyto's net capacity at the plant will increase to 18 mmcf per day. Prior to year end, Peyto plans to drill five wells and re-enter an additional five wells. Pipeline construction is also underway to connect twelve operated wells to the Sundance plant by December 31.

On October 13, 2000 Peyto issued 2,200,000 flow through common shares at a price of \$2.20 per share.

### Outlook

Continued production growth combined with strong commodity prices will result in record cash flow for the final quarter of 2000. Peyto is well positioned to continue its aggressive exploration and development program in West Central Alberta. For more information on the company, please visit Peyto's web site located at [www.peyto.com](http://www.peyto.com).

Don T. Gray, P. Eng.  
President and Chief Executive Officer  
November 16, 2000

	2000			1999
	Q3	Q2	Q1	Q4
<b>Operations</b>				
Production				
Oil & NGLs (bbl/d)	313	236	91	48
Natural gas (mcf/d)	9,425	6,852	1,288	376
Barrels of oil equivalent (boe/d @ 10:1)	1,256	921	220	86
Average product prices				
Oil & NGLs (\$/bbl)	38.83	36.46	37.20	27.89
Natural gas (\$/mcf)	5.55	4.87	3.51	3.37
Average operating expenses (\$/boe)	3.15	3.91	6.30	9.44
Field netback (\$/boe)	35.70	32.34	20.94	12.85
<b>Financial (\$000)</b>				
Revenue	5,930	3,818	720	247
Royalties (net of ARTC)	1,442	779	175	71
Funds from operations	3,805	2,479	227	(80)
Net earnings (loss)	1,715	1,183	62	(83)
Capital expenditures	5,383	10,068	8,315	4,737
Common shares outstanding (000)	37,699	33,199	31,451	24,527
<b>Per share data (\$/share)</b>				
Funds from operations				
Basic	0.11	0.08	0.01	(0.00)
Fully diluted	0.10	0.08	0.01	(0.00)
Earnings (loss)				
Basic	0.05	0.04	0.00	(0.00)
Fully diluted	0.05	0.04	0.00	(0.00)

### Consolidated Balance Sheet

As at	Sept. 30 2000 (unaudited)	Dec. 31 1999 (audited)
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 54,402	\$ 443,725
Accounts receivable	4,136,386	1,291,068
Prepays	84,630	80,346
	<b>4,275,418</b>	1,815,139
Property, plant and equipment	31,137,923	7,460,671
Accumulated depreciation & depletion	(2,092,223)	(137,857)
	<b>29,045,700</b>	7,322,814
	<b>\$ 33,321,118</b>	\$ 9,137,953
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 5,664,506	\$ 2,461,785
<b>Long term debt</b>	<b>10,219,236</b>	1,150,000
<b>Site restoration provision</b>	<b>80,266</b>	5,461
<b>Future income taxes</b>	<b>2,592,018</b>	627,257
<b>Shareholders' equity</b>		
Share capital	11,953,634	5,041,613
Retained earnings (deficit)	2,811,458	(148,163)
	<b>14,765,092</b>	4,893,450
	<b>\$ 33,321,118</b>	\$ 9,137,953

# financial statements

## Consolidated Statement of Earnings (unaudited)

Nine Months Ended September 30	2000	1999
<b>Revenue</b>		
Oil and gas sales, net	\$ 8,072,431	\$ 443,523
<b>Expenses</b>		
Operating	818,468	133,061
General and administrative	385,226	202,095
Interest	357,479	5,445
Depletion, depreciation and site restoration	1,083,340	92,499
	2,644,513	433,100
Earnings before taxes	5,427,918	10,423
Future income taxes	2,468,298	18,796
Earnings (loss) for the period	2,959,620	(8,373)
Deficit, beginning of period	(148,162)	(56,706)
<b>Retained earnings (deficit), end of period</b>	<b>\$ 2,811,458</b>	<b>\$ (65,079)</b>

## Consolidated Statement of Cash Flows (Unaudited)

Nine Months Ended September 30	2000	1999
<b>Cash provided by (used in)</b>		
<b>Operating Activities</b>		
Earnings (loss) for the period	\$ 2,959,620	\$ (8,373)
Items not requiring cash:		
Future income taxes	2,468,298	18,796
Depletion, depreciation and Site restoration	1,083,340	92,499
Funds from operations	6,511,258	102,922
Change in non-cash working capital from operations	(200,752)	536,261
	6,310,506	639,183
<b>Financing Activities</b>		
Issue of common shares, net of costs	2,773,833	302,375
Increase in long term debt	9,069,236	400,000
	11,843,069	702,375
<b>Investing Activities</b>		
Additions to property, plant and equipment	(18,940,465)	(2,140,882)
<b>Net decrease in cash</b>	<b>(786,890)</b>	<b>(799,324)</b>
Cash, beginning of period	841,292	1,024,686
<b>Cash, end of period</b>	<b>\$ 54,402</b>	<b>\$ 225,362</b>

# corporate information

## Officers

**Don T. Gray**  
President and Chief Executive Officer

**Roberto Bosdachin**  
Vice-President, Exploration

**Mark Balen**  
Vice President, Operations

**Sandra Brick**  
Controller

**Steve Chetner**  
Corporate Secretary

## Directors

**Rick Braund**

**Don T. Gray**

**Mike Broadfoot**

**Bill Petrie**

**Brian Craig**

**Jim Riddell**

## Auditors

Ernst & Young

## Solicitors

Burnet, Duckworth & Palmer

## Bankers

National Bank of Canada

## Transfer Agent

Montreal Trust Company of Canada

## Head Office

420, 333 – 5 Avenue SW  
Calgary, AB  
T2P 3B6

Phone: 403.261.6081

Fax: 403.261.8976

Web: [www.peyto.com](http://www.peyto.com)

Stock Listing Symbol: PEY

Canadian Venture Exchange

# PEYTO

Exploration & Development Corp.

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*Interim Report  
for the nine months ended September 30, 2000*