

# Peyto Exploration & Development Corp.

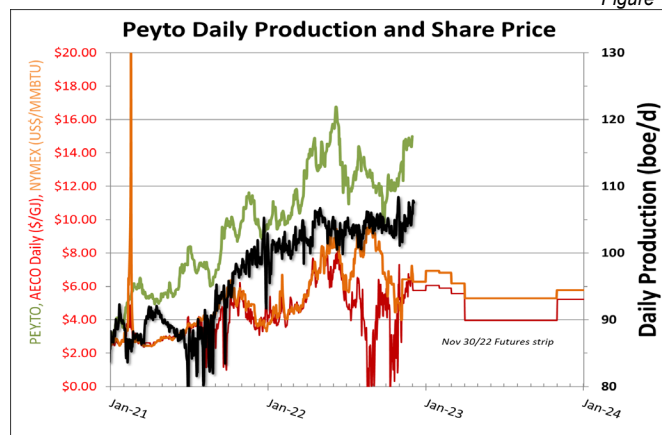
## President's Monthly Report

December 2022

From the desk of Darren Gee, Chief Executive Officer

We're getting close to the end of 2022 which will be more than just the end of the year for me. As of January 1st, Jean-Paul (JP) Lachance will be President & CEO and answering all your questions about how Peyto's doing, which I suspect will be just fine as he has a great team behind him that has been executing efficiently all year. Despite some late November freeze offs and receipt restrictions getting onto the NGTL system, which took a bite out of our November production numbers, we are still finishing up the year with a flurry and on track for our exit of 110,000 boe/d. The cold weather resulted in both NYMEX and AECO gas prices rallying to the \$7 level which more than made up for the lost production.

Figure 1



Source: Peyto, TMX, ICE, EIA

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)\*

	2020	Q1 21	Q2 21	Q3 21	Q4 21	2021	Q1 22	Q2 22	Jul	Aug	Sep	Q3 22	Oct
Acq/Disp	3	36	0	0	1	36	22	0	0	0	26	26	0
Land & Seismic	8	1	1	2	4	8	1	8	1	0	0	1	0
Drilling	105	34	28	43	54	159	52	45	22	19	19	59	22
Completions	70	18	15	26	27	87	33	25	9	14	6	29	11
Tie ins	23	5	4	7	9	25	10	10	3	4	3	10	3
Facilities	26	16	8	12	14	50	47	21	8	5	4	16	6
<b>Total</b>	<b>236</b>	<b>109</b>	<b>57</b>	<b>90</b>	<b>109</b>	<b>365</b>	<b>166</b>	<b>108</b>	<b>42</b>	<b>42</b>	<b>57</b>	<b>140</b>	<b>43</b>

### Production ('000 boe/d)\*

	Q1 21	Q2 21	Q3 21	Q4 21	2021	Q1 22	Q2 22	Jul	Aug	Sept	Q3 22	Oct	Nov
Sundance	48	50	49	56	51	57	54	55	56	56	56	55	54
Ansell	17	15	15	16	16	16	15	14	14	13	14	13	13
Brazeau	17	18	18	16	17	18	23	24	25	24	24	25	26
Kakwa	2	2	2	2	2	2	2	2	2	2	2	2	2
Other	4	5	5	7	5	9	9	9	9	11	9	10	10
<b>Total</b>	<b>88</b>	<b>89</b>	<b>89</b>	<b>97</b>	<b>91</b>	<b>101</b>	<b>104</b>	<b>104</b>	<b>105</b>	<b>105</b>	<b>105</b>	<b>105</b>	<b>105</b>
Liquids %	14%	14%	12%	11%	13%	11%	13%	13%	13%	13%	13%	13%	12%

\*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 Long Goodbye



Well, this is my final monthly report to shareholders. In total, I've written 192 of them. That's a lot of monthly musings on the happenings at Peyto and around our industry. I've tried not to be too political (failed at times), nor too technical (KISS - keep it simple, stupid), so that they've been both informative and educational. Coming from the son of two career educators, I guess it's in my blood. Hopefully, these reports have been well received over the years.

This is also the end of my 33 year career in the energy industry. I would say it's a so-called end because I will still be a director of at least one natural gas company and maintain some connection to the business.

My career in Alberta's oil patch began in December 1989 at Petro-Canada (may she rest in peace) as a young Engineer-In-Training. After a few years I moved on to North Canadian Oils (NCO) for a brief stint before finding a home at Anderson Exploration working for the famous JC Anderson (may he also RIP). There I met another young engineer, like me, full of piss and vinegar, as my father used to say, by the name of Don Gray. Our ways parted when, after Anderson bought Home Oil, I moved on to Rio Alto Exploration. Then on to Renaissance Energy for several years. When Renaissance was bought by Husky, Don phoned me and offered me a post at Peyto (for which I'm forever grateful). And the rest, as they say, is history.

That's a lot of bouncing around. I've been at big companies and small companies. Very active drillers and some laggards. Most of them had more of a natural gas focus as I've always felt it was the better fuel. And the perspective that I gained from all of them eventually led me to Peyto and why I've stayed here for so long. Finding the perfect mix of company size, an ability to be nimble, an active builder, a focus on profitability over growth, and ultimately the right mix of people isn't always easy

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and even when you do, they don't always last. When Peyto began in October 1998 there were 51 companies in the TSE Oil and Gas Index. Today, there are only five of the original 51 left: IMO, SU, BTE, CNR and PEY. Staying power is difficult.

Naturally, the proudest accomplishments in my career were here at Peyto. Growing organically and profitably from 1,000 boe/d to over 100,000 boe/d was one. Very few have accomplished that. And not that I personally did it, the Peyto team did, but I was very proud to play a small part in it. I'm equally proud of how profitably we did it, generating over \$3 billion in profit, \$2.6 of which has been paid out to shareholders. Again, not all me, obviously, but I would hope I can take a tiny ounce of credit. I would also like to personally thank our shareholders for giving us their capital and their trust to do that. Albertans thank you too, for the results of that work put over \$1 billion into the provincial royalty coffers.

In the early stage of my career a mentor told me to sign up for Toastmasters. And although some may scoff, it taught me how to properly communicate with others — something most engineers/geologists/technical people are accused of lacking. But I truly believe it's one of the reasons I've been successful in my career. So, for those looking for a sliver of wisdom, from someone whose hair would be grey if I had any left, find a way to sharpen that skillset. It's more important than you realize. All the good our industry can do, all the technical success we can generate and all the financial rewards we can enjoy, are useless if we can't properly communicate it to others. It is becoming a rare skill.

Of course, my career wasn't all sunshine and roses, as they say. There were difficult bits, stressful times, and sleepless nights. Politics and commodity prices are a violent mix. But I've enjoyed more success than failure, for that I'm grateful. I've tried to stay lean and sharp. It makes standing on the shoulders of great people much easier, and there are too many of those to thank individually.

I have immense pride for the Canadian oil and gas industry and it's western entrepreneurial spirit. Without it, all Canadians would be much worse off. To be blunt, none of us could even survive north of the 49<sup>th</sup> without oil and gas. And because we have it, we can enjoy an envious lifestyle in this vast landscape and harsh wilderness we call Canada. As painful as it may be for some, the reality that oil and gas provides our national security is about to become more broadly understood, again.

If I could go back and do things differently there is little I would change. I might have tried to worry less about work, and spend more time with my family. I suspect everyone would say the same about their careers/family. I'm lucky to have had their enduring support all these years — particularly from my wife, Angela. And any good CEO needs good counsel. What started

as someone to provide corporate governance turned into a lasting friendship. He "kept me out of jail" more than once with sage advice and common sense, when I didn't have it myself. Everyone needs such a friend.

My tenure as CEO of Peyto was longer than most in the industry. This job takes its toll and the average CEO only last around 7 years. One of the biggest reasons for my longevity was the support I received from a particularly savvy and astute board of directors who carried a deep understanding of the industry and its challenges. Experience always trumps diversity.

When I first started my career I read a cute little book written by Robert Fulghum entitled "All I Really Need to Know I Learned in Kindergarten: Uncommon Thoughts on Common Things." The message was simple: all the necessary things we need, to have a happy, successful life, we learned by the age of six. Looking back now on my career, he wasn't wrong. Those simple lessons like be nice, share, don't hit, apologize, clean up after yourself, don't take things that aren't yours, and wash your hands all still apply today. The advice to live a balanced life where we learn, think, draw, paint, sing, dance, play and work every day do as well. Warm cookies and cold milk and a nap every day are something I shall aspire to incorporate. And that at some point the goldfish, hamsters and the little seed in the Styrofoam cup all die, and we do too. So I for one have decided it's high time to go play more.

Thank you to all those that have passed along your well wishes, gratitude and praise but in the immortal words of David Letterman, "save a little for my funeral." In signing off, perhaps I will borrow one more from him, "Thank you and Good Night."

Sincerely, Darren Gee



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### 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 netbacks, 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 (mcf) 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.