

Peyto Exploration & Development Corp. Monthly Report

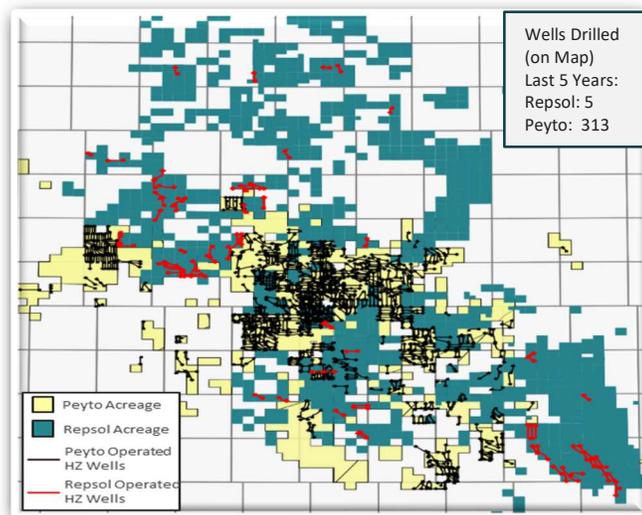
November 2023

By Jean-Paul Lachance, President and Chief Executive Officer

Repsol Tuck-in

The Repsol acquisition closed on Oct 17th and represents a significant complementary addition to Peyto. We like to think of this deal as just another tuck-in acquisition, albeit a *little* bigger. The attributes of the Repsol acquisition checks all the boxes with our strategy to buy assets with considerable upside potential and operational synergies that allow us to stay true to our beliefs of owning and controlling our production. In this case, we see a tremendous amount of low-risk drilling locations (over 800) which we expect will spawn more as we develop the lands. And for the most part, these aren't locations in a new area but immediately adjacent to our lands in downtown Peyto. Our technical team has worked this area for years and has identified several horizons of potential from the Cardium down to the Bluesky. Figure 1 from our corporate presentation shows the incredible inactivity on the Repsol lands relative to our own.

Figure 1 – Horizontal Drilling to End of 2022

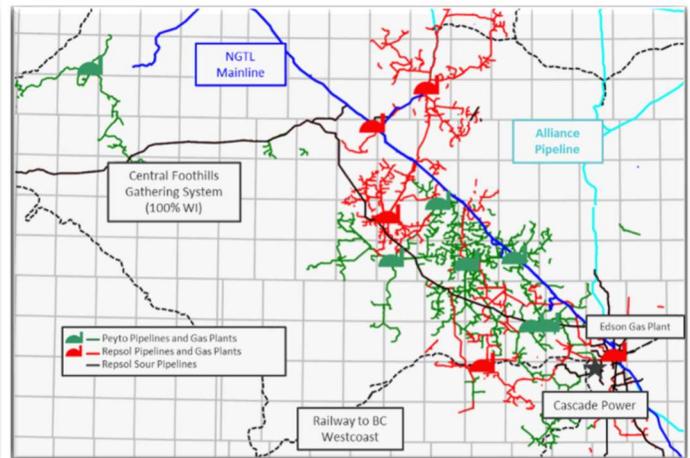


The facility synergies are incredible too, and provide Peyto with numerous opportunities to optimize production, reduce costs, and accommodate future growth. Figure 2 shows the overlap of pipelines and proximity of gas plants, that combined with all Peyto's plants, are currently only half full. The Edson gas plant is strategically located adjacent to a major railway, highway, and both major gas and liquids transmission pipelines. It is also proximal to the newly constructed Cascade power plant and is connected to a wholly owned large diameter gas gathering system (over 300km long) which will allow for numerous commercial opportunities.

Now that we have the keys to the "car", the real work begins. We have already started drilling on the lands with expectations to drill 7 wells before year end. Our production engineering team is busy evaluating and planning optimization projects. The rest of the company is very busy integrating data, operations, and some people. The digestion of the Repsol assets comes with opportunities to dissolve some onerous processes and systems that we don't deem necessary or see as value-adding. The work has begun to improve downtime, reduce operating costs, and apply our industry leading cost structure.

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Figure 2 – Peyto – Repsol Infrastructure in Sundance Area



All these opportunities mean exciting times are ahead for the Peyto team and our shareholders.

Operational Highlights

Since we took over the Repsol operations on Oct 17, production allocated from the acquisition represents only a partial month starting on Oct 18. Peyto has a proud history of accurate estimation of field production as compared to actuals since we operate and control the measurement systems. While we are confident that the same will be true for the plants we have recently acquired from Repsol, it will take some time to assimilate the data capture systems and bring them up to the same daily accuracy standard we expect at Peyto. In the meantime, we will break out Repsol asset production, separately.

Capital spending was inline with expectations for September with all four rigs running fulltime. Two of those rigs are now drilling on Repsol acquired lands.

Capital Investment (\$C millions)¹

	2021	Q1 22	Q2 22	Q3 22	Q4 22	2022	Q1 23	Q2 23	Jul 23	Aug 23	Sep 23	Q3 23
D,C,E&T ²	271	95	80	98	98	371	89	72	27	27	27	81
Facilities	50	47	21	16	16	100	32	9	4	2	5	11
Other ³	44	1	8		1	10	1	1	1			1
Acquisitions ⁴			22	26		48						
Total	365	166	108	140	115	529	122	82	33	29	32	94

Production (mboe/d)¹

	2021	Q1 22	Q2 22	Q3 22	Q4 22	2022	Q1 23	Q2 23	Jul 23	Aug 23	Sep 23	Q3 23	Oct 23
Sundance	70	78	76	75	75	76	71	67	67	67	64	66	68
Brazeau	17	19	23	24	26	23	27	28	29	28	28	28	28
Other	4	5	5	5	4	5	5	4	4	4	4	4	4
Repsol ⁵													10
Total	91	101	104	105	105	104	103	99	100	99	96	98	110
Liquids %	13%	11%	13%	13%	12%	12%	12%	11%	11%	12%	11%	11%	12%

1. This estimate is based on real 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 include asset and corporate deals.
5. Repsol production for October only represents a partial month from time of deal closing (from Oct 18-31).



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Peyto Exploration & Development Corp.

Monthly Report

November 2023

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, 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 (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.

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.

The 800 gross drilling locations identified herein with respect to the Repsol acquisition are made up 215 gross proved locations, 82 gross probable locations and 503 gross are unbooked locations. Booked locations are derived from an independent engineering report by GLJ Ltd. effective June 1, 2023. Unbooked locations have been identified by management as an estimation of Peyto's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that Peyto will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves or production. The drilling locations on which Peyto actually drills wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been de-risked by drilling existing wells in relative close proximity to such unbooked drilling locations, some of the other unbooked drilling locations are further away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations, and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves or production.