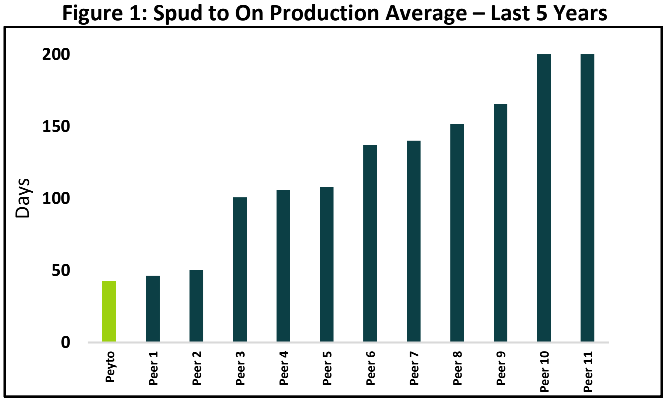
Peyto Exploration & Development Corp.
Monthly Report

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

Cycle Time – Converting Prospects into Cash

Peyto has been in the business of exploring and developing the Alberta Deep Basin for over 25 years. Our steady development program has allowed Peyto to develop strong, long-term relationships with our service providers to retain our crews and rigs, providing them with continuous, predictable work. For example, Ensign 401 has been drilling wells for us for nearly 15 years! This steady program benefits our staff as well, knowing a steady diet of wells need to be planned and executed to fuel our well-oiled drilling machine. We think these are important ingredients to a low-cost and efficient business. And when it comes to converting development capital into cash, Peyto is an industry leader. Figure 1 below shows how fast Peyto gets wells on production after drilling begins (spudding) when the first meaningful capital is spent. Peyto gets it done in less than 45 days!

Figure 1: Spud to On Production Average – Last 5 Years

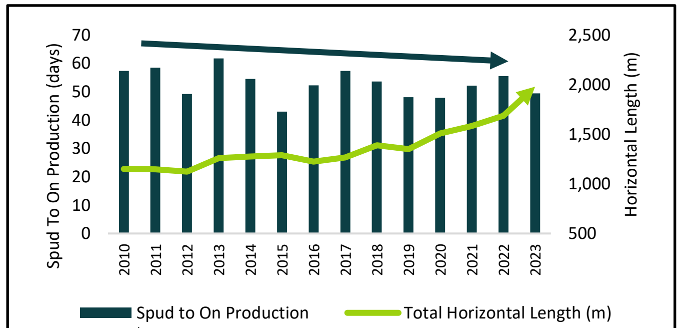


Source: Publicly available data from S&P Global for horizontal wells spud after 2018
Peers include: Advantage, Arc Resources, Birchcliff, Kelt, NuVista, Paramount, Spartan, Strathcona, Tourmaline, Westbrick, and Whitecap

Our impressive cycle time starts with planning and organizing well designs that are simple and have the end in mind – creating value. That doesn't necessarily mean the longest well or greatest production rate but that we balance cost, outcomes, and timing to generate the greatest returns. Although we see the value in drilling multi-well pads to amortize fixed pad costs over many wells, we shy away from drilling 6 to 8 wells at one time. Our nimble telescopic double rigs can move off one pad site and beginning drilling on another, in the same day. And our completion crews are right on their heels, so no time is wasted in the cycle. Typically, we drill 2-3 wells at a time so we can get the drilling rig out of the way quickly and allow the completions crew to fracture stimulate the wells and get them flowing. This limited multi-well pad site approach also allows us to test new technologies or new targets and see well results to adjust the program as needed. We may bring the drilling rig back to the pad to drill follow-ups, which might seem inefficient, but we still have one of the lowest finding and development costs in the oil gas industry.

Peyto's technical team always measures results and looks to improve as part of our culture. Figure 2 shows how Peyto's cycle time and well lengths have evolved since horizontal wells became a regular part of our drilling program. Despite drilling longer wells over time and larger stimulations, we have managed to maintain or reduce our cycle times with improvements to design and efficiency.

Figure 2: Peyto Cycle Time and Total Well Length Over Time



Source: Company data

Despite our desire to limit well pad size, sometimes it makes more sense to park a rig for awhile and drill multiple targets. This is often true during spring break-up, when the costs to move surface locations during muddy conditions outweigh the benefits. Another situation might be if stronger pricing is only a few months away. Currently, we are drilling a four-well pad, which will allow us to drill through these low summer prices and then bring on additional production in Q4 when prices are expected to be stronger. Afterall, what matters most is maximizing the return *on* shareholders capital.

Operational Highlights

In July, Western Canada was subjected to blistering heat and wildfires. While the heat is constructive for natural gas demand to fuel increasing power burn for air conditioners, the wildfires can wreak havoc on our communities. Our thoughts go out to those impacted by them and our thanks to those fighting them. Fortunately, our people and our assets were not affected by the wildfires, but the extreme temperatures did decrease compression efficiencies which reduced monthly production by ~2,000 boe/d. We continue to manage production and build capacity for anticipated higher winter natural gas pricing.

Capital Investment ($C millions)[1]

	2022	2023	Jan 24	Feb 24	Mar 24	Q1 24	Apr 24	May 24	Jun 24	Q2 24
D,C,E&T [2]	371	333	28	32	33	94	28	22	37	87
Facilities	100	64	7	4	8	18	5	6	2	13
Other [3]	10	16			2	2		1		1
Acquisitions [4]	48	699								
Total	529	1112	35	36	42	114	33	29	39	101
ARO Activities [5]	5	3	2	1	1	4				-

Production (mboe/d)[1]

	2022	2023	Jan 24	Feb 24	Mar 24	Q1 24	Apr 24	May 24	Jun 24	Q2 24	Jul 24
Sundance	76	73	89	95	95	93	91	91	93	92	92
Brazeau	23	28	28	27	27	27	27	26	24	26	24
Other	5	4	5	5	5	5	6	5	5	5	5
Total	104	105	122	127	127	125	124	122	122	122	121
Liquids %	12%	12%	13%	13%	13%	13%	12%	12%	12%	12%	11%

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.*
5. *Asset Retirement Obligations (ARO) spending is decommissioning expenditures incurred in the period.*

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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, 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.