Peyto Exploration & Development Corp.
Monthly Report

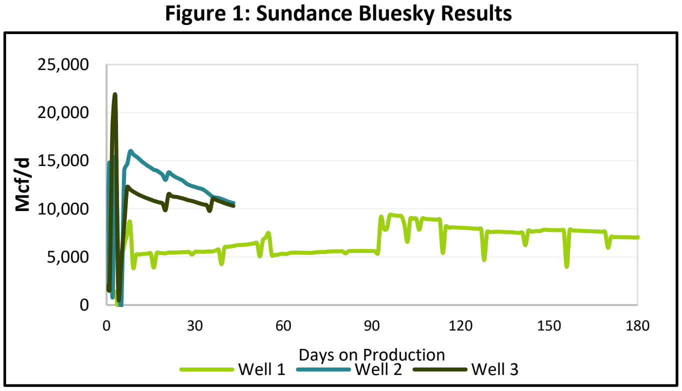
December 2025 | **By Jean-Paul Lachance, President and Chief Executive Officer**

Blueskys Ahead

In November, Peyto reached a production milestone of 141,000 boe/d, setting the table to meet our target exit rate of 145,000 boe/d for December. We are achieving these record rates through a successful second-half drilling program that was primarily focused on developing the Notikewin, Falher and Bluesky across our land base. All these targets are exceeding our expectations, but the Bluesky is a notable addition because Peyto has not drilled a well in this formation since 2020.

When Peyto purchased the Repsol assets in Q4 2023, we inherited a drilled but uncompleted extended-reach-horizontal well drilled in the Bluesky formation. The well was offsetting several prolific Bluesky horizontals in Sundance, and we were excited to complete the well, put it on stream, and see what it could do. The well was so highly productive that it required a downhole choke to restrict its flow for 18 months due to facility constraints. Now, after being on stream for 24 months, this well has produced 5 bcf of gas and is still producing ~5.5 MMcf/d today (Well 1 in Figure 1). After some careful planning, Peyto drilled two follow-up wells offsetting the initial well that have also provided some initial impressive rates (Wells 2 & 3 in Figure 1), despite drilling shorter horizontals than the first well. These two wells are part of a strong second-half drilling program that will factor into the species mix for 2026.

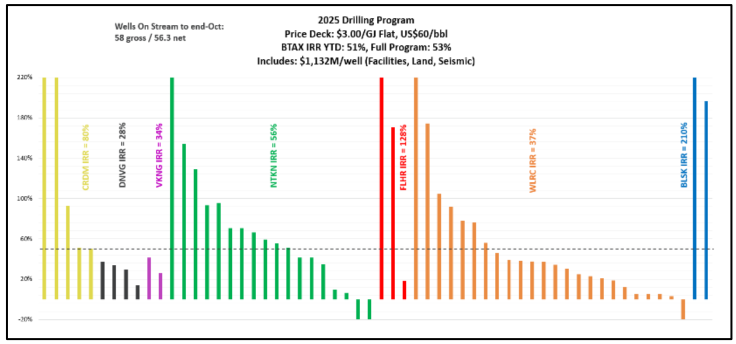
Figure 1: Sundance Bluesky Results



But remember, the real goal isn't to make the monthly list of *Top New Natural Gas Wells in Alberta* by drilling the most prolific wells in the basin, although these two Bluesky wells will likely make the list. Our focus is on investing shareholder capital responsibly in projects that *make the best return*. What is not reported on the "Top Wells" lists (published by many analysts) are the costs to find and develop the resource since this data is not readily available. For example, the first Bluesky well was an outstanding result in terms of productivity, but the drill costs were so high that the well only recently paid out the capital invested. The Bluesky zone is vertically deeper and a more abrasive formation to drill, so it takes longer and costs more than our typical Spirit River well. We must thoughtfully optimize our well design, balancing the trade offs between the costs of drilling longer horizontals against productivity gains, so we can generate the highest return on our investment.

Fortunately, the two Bluesky follow-ups are not only operational successes, but we estimate will generate a before-tax, full-cycle, internal rate of return (IRR) of over 200% and rank as some of the top wells we drilled in 2025 (right hand side of Figure 2). The team has identified another ~20 follow-up locations, some of which will be drilled in 2026. Year to date through October, Peyto has brought on 58 gross (56.3 net) wells which are estimated to generate a combined IRR of 51% based on our production forecasts and actual capital costs (using a flat price of $3/GJ and WTI at US$60/bbl).

Figure 2: 2025 Results to Date
BTAX, Full Cycle Internal Rate of Return



Last month, Peyto released its preliminary budget (to be finalized Feb-2026) consisting of a $450 – $500 million spend that could see us drill 70 – 80 wells and add 43,000 – 48,000 boe/d by the end of 2026 and offset a base production decline of 26% – 28%. This budget is essentially the same program as 2024 and 2025. The main difference for next year will be that the fifth rig we added in September will continue drilling through *at least* Q1 next year, dependent on market conditions, front-loading the year a bit more than in the past.

Operational Highlights

Winter has arrived across North America and our production growth has been well-timed to take advantage of strong natural gas prices at Peyto's downstream demand hubs, where we have our floating price exposure. AECO cash prices have also recovered sharply from the summer lows, which is great for the provincial coffers and the industry in general. Our monthly capital investment is higher in October with costs related to our plant turnarounds and increased drilling and completion activity with the fifth rig. We remain on target to land in the middle of our capital guidance for 2025 ($450–500 million).

Capital Investment ($C millions)[1]

	2023	Q1 24	Q2 24	Q3 24	Q4 24	2024	Q1 25	Q2 25	Jul 25	Aug 25	Sept 25	Q3 25	Oct 25
D,C,E&T[2]	333	94	87	99	97	377	86	86	33	30	29	92	**45**
Facilities	64	18	13	26	18	75	15	18	8	9	17	34	**10**
Other[3]	16	2	1	2	3	7	1	1		1		1	
Acquisitions[4]	699			-1		-1		-1					
Total	1112	114	101	126	117	458	102	104	41	40	46	127	**55**
ARO Activities[5]	3	4	-	2	2	8	2	3	2	1	1	4	**1**

Production (Mboe/d)[1]

	2023	Q1 24	Q2 24	Q3 24	Q4 24	2024	Q1 25	Q2 25	Jul 25	Aug 25	Sept 25	Q3 25	Oct 25	Nov 25
Sundance	**73**	93	92	91	102	**95**	103	102	103	104	102	103	106	**111**
Brazeau	**28**	27	26	24	25	**25**	24	24	22	22	22	22	22	**25**
Other	**4**	5	5	5	6	**5**	7	6	5	5	5	5	5	**5**
Total	**105**	**125**	**122**	**120**	**133**	**125**	**134**	**132**	**130**	**131**	**129**	**130**	**133**	**141**
liquids %	**12%**	13%	12%	11%	12%	**12%**	**12%**	**12%**	12%	12%	12%	**12%**	**12%**	**12%**

1. *This estimate is based on field data; actual numbers will vary from the estimate due to accruals and adjustments.*
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.*

FORWARD LOOKING STATEMENTS

Certain information set forth in this monthly report, including management's estimate of monthly capital spending, field estimate of production, production decline rates, forecasted natural gas supply and demand growth, 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 RLI 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.