

Peyto Exploration & Development Corp.

Monthly Report

May 2025

By Jean-Paul Lachance, President and Chief Executive Officer

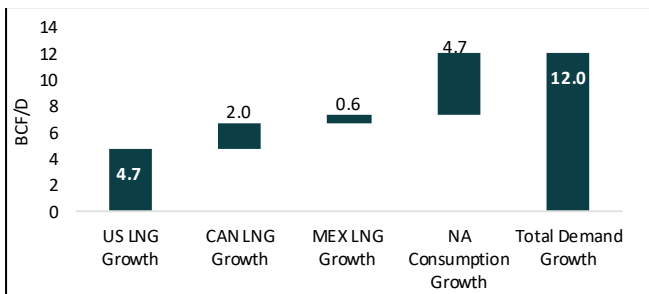
Managing A Volatile Gas Market

In the past, we have discussed the [tailwinds](#) for natural gas demand in North America with growth forecasted for both consumption (power demand from continued electrification and data centres) and exports (LNG). On the supply side, the recent drop in oil prices should reduce the industry's appetite to grow oil production and temper forecasts for supply from associated gas. Over the medium to long term, we expect this will be constructive for natural gas prices. Coincidentally, natural gas storage and infrastructure in general have not kept pace with the changing supply and demand dynamics and this has increased price volatility in the short term for natural gas. Peyto's strategy to hedge future prices with our risk management program helps us smooth out our realized prices and our diversification to non-AECO markets allows us to capture prices in major demand centres across the US and Canada while reducing risk.

In 2024, US natural gas supply remained relatively flat [growing by only 0.4 bcf/d](#) year-over-year. The three largest gas producing regions made up two thirds of total US production: Appalachia, Permian and Haynesville. The Appalachian Basin was the largest producer of natural gas in 2024, but production growth in the area was limited by pipeline take away capacity. The Permian Basin experienced the most growth amongst the American regions, largely due to increased associated gas from oil production spurred on by strong oil prices. However, Haynesville production fell 11% in the year and offset most of the Permian's growth. Drilling rig activity fell in the region for 2024, driven by the high-cost nature of the play (deep drilling depths) and historically low natural gas prices (Henry Hub averaged a mere US\$2.21/MMbtu, the lowest annual average ever reported).

Meanwhile, natural gas consumption in the US [set new winter and summer monthly records](#) last year. This was driven largely by weather as summer-2024 was the fourth hottest summer on record leading to record power consumption as folks turned up air conditioners and January-2025 was the coldest January since 1988. Additionally, historically low prices helped natural gas displace coal as the energy source for electrical power generation. Coal-to-gas switching is projected to continue in 2025 with [8.1 GW of coal fired capacity slated to be retired](#) and 2.6 GW of gas fired capacity replaced by more efficient combined cycle plants adding 500 MW of power generation. These retirements could add another 1 bcf/d of natural gas demand in 2025. On exports, the 2025-2026 forecast is for nearly 5 bcf/d of growth in the US and 2 bcf/d in Canada (see Figure 1 below). Current North American LNG export capacity sits around 16 bcf/d today.

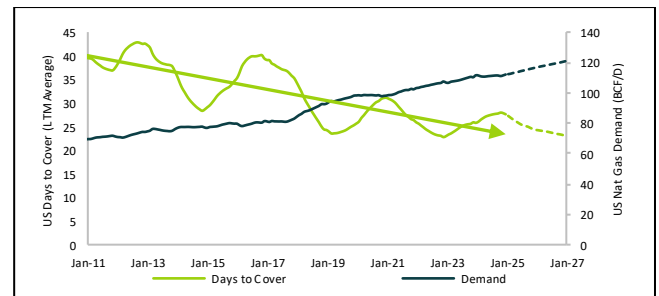
Figure 1: Natural Gas Demand Growth Forecast (YE2024 – YE2026)



Slow production growth and growing demand for natural gas have left US natural gas inventories at [three-year lows in March](#). Peak capacity for natural gas storage in the US is estimated at roughly 4.2 Tcf and

since Jan-2013, capacity has increased by a mere 4%. Over the same period, US demand has grown by 50% and production has increased by 65%. This combination has set the stage for price volatility as the buffer against supply and demand disruptions (storage) remains the same size. A useful measure to understand the system's insulation from shocks is "storage days to cover." In Figure 2, we calculate this metric by dividing the volume in storage by the gas required to meet daily demand (last twelve-month average is used). Back in 2013, storage in the US was enough to cover ~40 days of consumption and exports. Today, with growth in the sector and stagnant storage capacity, the US has only ~25 days of coverage. This buffer is projected to continue falling in the near-term with forecasted growth in supply and demand. As a result, we expect natural gas will remain one of the most volatile commodities as the system will be less capable to handle shocks such as prolonged extreme temperatures, plant shutdowns, or LNG export disruptions. Peyto remains well positioned against volatility's downside with hedges that fix a large portion of our gas at \$4/mcf through 2026 and diversification that allows us to participate in upside when prices run at major demand centres in the US and Canada.

Figure 2: Storage Capacity and Demand in the Lower 48



Operational Highlights

We kept four rigs running through April and will continue drilling through break-up on multi-well pads to reduce the need for moving equipment as the roads turn sloppy. We expect to keep production relatively flat throughout the summer followed by a ramp up in Q4 similar to last year.

Capital Investment (\$C millions)¹

	2023	Q1 24	Q2 24	Q3 24	Q4 24	2024	Jan 25	Feb 25	Mar 25	Q1 25
<i>D,C,E&T</i> ²	333	94	87	99	97	377	31	24	31	86
<i>Facilities</i>	64	18	13	26	18	75	2	3	10	15
<i>Other</i> ³	16	2	1	2	3	7			1	1
<i>Acquisitions</i> ⁴	699			-1		-1				
Total	1112	114	101	126	117	458	33	27	42	102
<i>ARO Activities</i> ⁵	3	4	-	2	2	8	1	1	-	2

Production (mboe/d)¹

	2023	Q1 24	Q2 24	Q3 24	Q4 24	2024	Jan 25	Feb 25	Mar 25	Q1 25	Apr 25
<i>Sundance</i>	73	93	92	91	102	95	103	103	102	103	103
<i>Brazeau</i>	28	27	26	24	25	25	25	24	25	24	24
<i>Other</i>	4	5	5	5	6	5	7	7	6	7	6
Total	105	125	122	120	133	125	135	134	133	134	133
<i>Risks %</i>	12%	13%	12%	11%	12%	12%	12%	12%	12%	12%	12%

- This estimate is based on field data, actual numbers will vary from the estimate due to accruals and adjustments.
- Well-related costs including Drilling, Completions, Equip and Tie-in.
- Other costs include Land, Seismic, and Miscellaneous.
- Acquisitions costs include asset and corporate deals.
- Asset Retirement Obligations (ARO) spending is decommissioning expenditures incurred in the period.

Peyto Exploration & Development Corp.

Monthly Report

May 2025

By Jean-Paul Lachance, President and Chief Executive Officer

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 (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.