

# Peyto Exploration & Development Corp.

## Monthly Report

December 2024

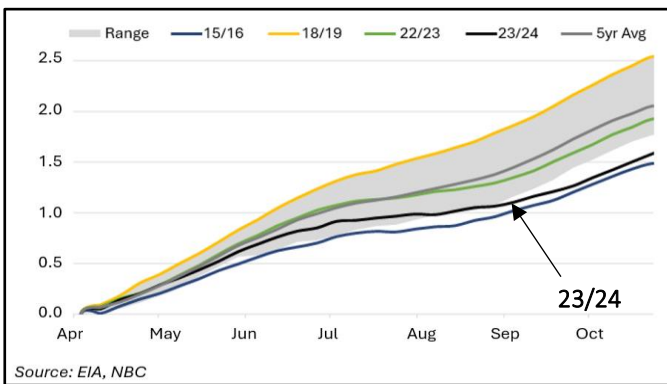
By Jean-Paul Lachance, President and Chief Executive Officer

### Tailwinds

A warmer than average winter in 2023/2024 elevated gas storage in North America (“NA”) to 10-year seasonal highs and gas prices last summer reflected this fact. AECO daily (5A) natural gas price averaged just \$0.80/GJ from May through September. Fortunately, Peyto entered 2024 with over 70% of our forecasted summer gas volumes fixed above \$3.00/GJ. This allowed us to mitigate the impact over the past five months of poor natural gas prices on our business.

In response to bloated gas storage coming out of last winter, natural gas drilling in the US has been muted this year relative to recent years. Production in the US has fallen because of lower activity but also from producers electing to shut-in gas during periods of low prices. At Peyto, we managed production through the summer months to meet our hedged and diversified volume commitments and minimized production that was exposed to lower priced markets. We achieved this by shutting in higher cost wells, delaying start-ups and restricting flush production from new wells. As a result of US natural gas production discipline, combined with a hot summer and record gas-fired power demand, summer injections into gas storage this year were 20% below the 5-year average and very close to the lowest builds since 2015 (Figure 1).

Figure 1: US Natural Gas Cumulative Gas Year Build



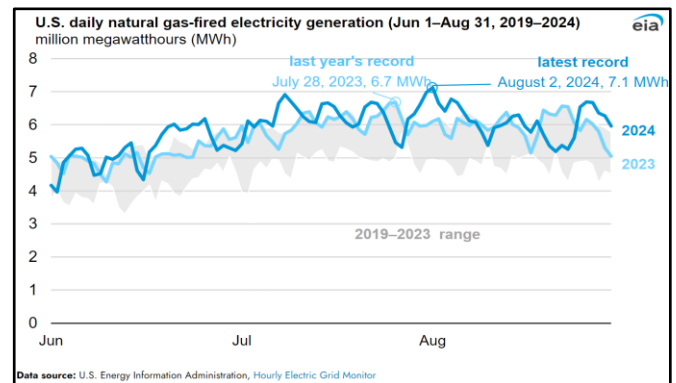
The outlook for natural gas in 2025 and beyond is encouraging. LNG projects continue to come online in the Gulf of Mexico, with the Corpus Christi Stage 3 facility in Texas and the Plaquemines Phase 1 facility in Louisiana starting up this quarter. These two projects will combine to add [3.1 bcf/d of nameplate export capacity](#) and as they ramp up capabilities through Q4, they are expected to bring total US export capacity beyond 14 bcf/d by year-end. LNG Canada should begin shipping LNG off the west coast of BC by the middle of next year and draw another ~2.0 bcf/d of natural gas off the continent once at full capacity. By the end of 2028, LNG export capacity in NA is forecasted to approach 25 bcf/d, nearly double where we’re at today.

In addition to LNG export capacity growth, power demand has developed into a major tailwind for natural gas. AI, data centers, electric vehicles, electrification and other IT products and services, along with coal-to-gas switching are expected to be a boon to natural gas demand. In Alberta, [over 6 GW of data centre connections](#) have been applied for on the AESO system that could add a total of 1 bcf/d of natural gas demand by early 2027. This past August, gas-fired power generation in the US set a new single-day record at 7.1 million MWh. [According to the EIA](#), “nine of the ten days with the most US natural gas-fired electricity generation on record occurred in the

summer of 2024”. We are already seeing a structural change in gas-fired power demand, and natural gas demand in general is growing across NA.

Combined, moderate storage injections in the US, lower US natural gas production, LNG export capacity growth and increased power demand are constructive for natural gas prices going forward. Peyto is participating in this potential upside through our Cascade Power contract and our floating price diversification to premium markets including Henry Hub, Chicago, Ventura, Parkway, Emerson and Malin. However, in the event prices surprise to the downside, Peyto remains well-protected in 2025 and into 2026 by our mechanistic approach to hedging. We will continue to invest in our high-quality assets and diligently work to remain the industry’s lowest cost operator to “weather” any storms on the horizon.

Figure 2: US Daily Natural Gas-fired Electricity Generation



### Operational Highlights

We are finally entering winter demand season and injections into natural gas storage have turned to withdrawals. Peyto has remained active with our drilling program throughout the fall but will begin to ramp down as the holiday season approaches. This will provide our crews who have worked so hard all year, a much-needed break so they are ready for another busy year in 2025.

#### Capital Investment (\$C millions)<sup>1</sup>

	2022	Q1 23	Q2 23	Q3 23	Q4 23	2023	Q1 24	Q2 24	Jul 24	Aug 24	Sep 24	Q3 24	Oct 24
D,C,E&T <sup>2</sup>	371	89	72	81	91	333	94	87	19	41	39	99	37
Facilities	100	32	9	11	12	64	18	13	9	6	11	26	8
Other <sup>3</sup>	10	1	1	1	12	16	2	1	1		1	2	1
Acquisitions <sup>4</sup>	48				699	699					-1	-1	
<b>Total</b>	<b>529</b>	<b>122</b>	<b>82</b>	<b>94</b>	<b>814</b>	<b>1112</b>	<b>114</b>	<b>101</b>	<b>29</b>	<b>46</b>	<b>51</b>	<b>126</b>	<b>46</b>
ARO Activities <sup>5</sup>	5			1	2	3	4	-	1	1		2	

#### Production (mboe/d)<sup>1</sup>

	2022	Q1 23	Q2 23	Q3 23	Q4 23	2023	Q1 24	Q2 24	Jul 24	Aug 24	Sept 24	Q3 24	Oct 24	Nov 24
Sundance	76	71	67	66	87	73	93	92	92	93	87	91	101	103
Brazeau	23	27	28	28	29	28	27	26	24	24	24	24	24	25
Other	5	5	4	4	4	4	5	5	5	5	6	5	5	5
<b>Total</b>	<b>104</b>	<b>103</b>	<b>99</b>	<b>98</b>	<b>120</b>	<b>105</b>	<b>125</b>	<b>122</b>	<b>121</b>	<b>122</b>	<b>117</b>	<b>120</b>	<b>130</b>	<b>133</b>
liquids %	12%	12%	11%	11%	13%	12%	13%	12%	11%	12%	11%	11%	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.



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### FORWARD LOOKING STATEMENTS

*Certain information set forth in this monthly report, including management's estimate of monthly capital spending, field estimate of production and production decline rates, 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.*