Peyto Delivers Record Reserves Results in 2024

21.02.2025 | GlobeNewswire

CALGARY, Feb. 20, 2025 - Peyto Exploration & Development Corp. (TSX: PEY) ("Peyto" or the "Company") is pleased to present the results and in-depth analysis of its independent reserve report effective December 31, 2024. The evaluation encompassed 100% of Peyto's reserves and was conducted by GLJ Ltd. ("GLJ"). The year 2024 marks the Company's 26th year of successful reserves development.

Peyto's 2024 capital program marks the first full year of drilling high-quality inventory acquired in the Repsol Canada Limited Partnership transaction. Combined with drilling of high-graded locations on Peyto's legacy assets, the Company delivered several new reserves records in 2024.

2024 HIGHLIGHTS

- The Company's 2024 drilling program developed a record 457 BCFe[1] (76.2 MMboe[2]) of new Proved Developed Producing ("PDP") reserves at a Finding, Development and Acquisition ("FD&A"[3]) cost of $1.00/Mcfe ($6.01/boe). The Company's continuous focus on finding and developing reserves at low costs has generated a five-year average PDP FD&A of $1.13/Mcfe.
- The Peyto team delivered record production in December of 2024 of 136 Mboe/d (721 MMcf/d gas, 15,708 bbl/d NGLs), generating an exit rate capital efficiency[4] of $9,700/boe/d, one of the best in Company history.
- The Company's systematic hedging program and market diversification strategy, along with Peyto's low operating cost structure, were able to deliver an average field netback[5] of $3.26/Mcfe ($19.59/boe). This resulted in a 3.3 times recycle ratio[6] (2.1 times on an unhedged basis), the highest on record over the last 20 years, despite the lowest annual AECO natural gas price during the same period.
- The 2024 drilling program produced a record average PDP reserves-per-well booking in the Company's history at 6.0 Bcfe, up from 4.3 Bcfe in 2023.
- Peyto invested $458 million in capital[7] in 2024, using 64% of funds from operations[8] ("FFO"), while returning a record $258 million in dividends to shareholders.
- In 2024, the Company drilled 58 wells previously booked as proved and probable undeveloped reserves. Peyto converted these locations to developed reserves at a record low finding cost of $0.66/Mcfe, 26% lower than the 2023 reserve report assignments. Peyto's history of converting reserves at or below booked values provides confidence in the remaining future undeveloped reserves and the associated capital requirements.
- The before tax, 10% discounted, net present value[9] ("BT NPV_{10}") of the Company's reserves are $4.9 billion, $7.1 billion, and $9.6 billion on a PDP, Total Proved ("TP"), and Total Proved plus Probable ("P+P") basis, respectively. The Peyto capital program generated a 16% increase in PDP reserves value over last year, despite the decrease in forecasted prices used by GLJ in this year's report.
- Peyto replaced 166%, 199% and 239% of annual production with new PDP, TP, and P+P reserves, respectively.
- Peyto delivered reserves growth across all categories in 2024 from its successful drilling program. PDP reserves increased 7% to 474 MMboe, TP reserves increased 5% to 876 MMboe, and P+P reserves increased 5% to 1,367 MMboe. On a per share basis, reserves increased 5%, 3%, and 3% for PDP, TP, and P+P, respectively. Since inception, the Company has generated a 20% compound annual growth rate ("CAGR"[10]) on a PDP reserves per share basis.
- FD&A costs, including the change in Future Development Capital ("FDC"), for TP and P+P reserve categories were $0.90/Mcfe ($5.38/boe) and $0.61/Mcfe ($3.67/boe), which represents a 37% and a 50% reduction from 2023, respectively.
- The Reserve Life Index[11] ("RLI") for the PDP remains unchanged at 10 years despite an 11% increase in year-over-year fourth quarter production. TP and P+P reserves RLI remain strong at 18 and 28 years, respectively, supported by the Company's industry leading cash costs. Peyto's PDP reserve life is one of the longest in the industry.
- Total Company reserve values (BT NPV_{10}) for PDP, TP, and P+P reserves on a debt adjusted basis implies $17.81/share, $28.79/share, and $41.52/share, respectively, using the 3 Consultant Average ("3CA") price forecast (GLJ, McDaniel, and Sproule).

2025 CAPITAL BUDGET

The Board of Directors of Peyto has approved a 2025 capital budget of $450-$500 million. The capital program is projected to add between 43,000 and 48,000 boe/d of new production by year end and more than offset the Company's estimated 27% decline in base production. The Company expects to utilize four drilling rigs to drill 70-80 net horizontal wells, representing approximately 80% of the 2025 budget. The remaining capital is planned for optimization and maintenance projects for Peyto's 15 operating gas plants and extensive gathering system infrastructure.

Peyto's active hedging program has secured prices for approximately 473 MMcf/d of natural gas for 2025 at an average price over $4/Mcf, and when combined with the Company's liquids hedges, provides revenue certainty of over $800 million, reflecting one of the highest levels of price protection in the industry. This revenue more than covers the expected capital program and dividends to shareholders for the year. Peyto's strong hedge book, market diversification and industry leading cash costs supports the continued development of high-quality inventory despite current low AECO natural gas prices.

While the threat of U.S. tariffs continues to weigh on the industry and the country, management believes Peyto's commodity hedges and natural gas diversification contracts will not be directly impacted. The majority of Peyto's market diversification arrangements that have US hub pricing exposure are physically delivered in Canada and not the US. Additionally, most of the supplies used in the Company's operations are sourced domestically, which should also limit any effects from counter tariffs that might be imposed by the Government of Canada. As always, Peyto will remain flexible and responsive to the business environment as it unfolds through 2025.

HISTORICAL PERSPECTIVE

Over the past 26 years, Peyto has acquired, explored and discovered 11.2 TCFe of Alberta Deep Basin natural gas and associated liquids, of which 59% has now been developed[12].

Peyto 26-year cumulative production*:	2.97	TCFe
Total Proved + Probable Developed reserves*:	3.61	TCFe
Total Developed natural gas and liquids*:	6.57	TCFe
Total Proved + Probable Undeveloped reserves*:	4.60	TCFe
Total acquired, explored for and discovered*: * As at December 31, 2024	11.17	TCFe

Each year the Company invests in the discovery of new reserves and the efficient and profitable development of existing reserves into high netback natural gas and NGL production for the purpose of generating the maximum possible return on capital for its shareholders.

In those 26 years, a total of $8.9 billion was invested in the Canadian economy in the acquisition and development of 6.6 TCFe of total developed natural gas and associated liquids at an average cost of $1.34/Mcfe, while a weighted average field netback[3] of $3.45/Mcfe delivered $9.2 billion in FFO, $3.1 billion in dividends and distributions to shareholders, and resulted in a cumulative recycle ratio[4] of 2.6 times. Royalty payments made to Alberta during this time have totaled over $1.3 billion.

Based on the December 31, 2024 evaluation, the debt adjusted, Net Present Value of the Company's remaining Total Proved plus Probable reserves ("P+P NPV", 10% discount, less debt) was $42/share, comprised of $24/share of developed reserves and $18/share of undeveloped reserves. This includes a provision for all abandonment liability for wells, well sites, pipelines, and facilities for which Peyto has ownership and responsibility.

2024 RESERVES REPORT AND ANALYSIS

The following table summarizes Peyto's reserves and the discounted Net Present Value of future cash flows, before income tax, using the 3 Consultant Average price forecast (GLJ, McDaniel, and Sproule), at January 1, 2025.

Before Tax Net Present Value ($millions)

					Discounted at			
Reserve Category	Gas (BCF)	Oil & NGL (mstb)	BCFe (6:1)	MMboe (6:1)	0%	5%	8%	10%
Proved Developed Producing	2,435	67,968	2,843	474	$10,183	$6,693	$5,471	$4,879
Proved Non-producing	49	1,049	55	9	$183	$110	$85	$73
Proved Undeveloped	2,029	54,594	2,357	393	$6,814	$3,548	$2,560	$2,099
Total Proved	4,513	123,611	5,255	876	$17,179	$10,351	$8,116	$7,051
Probable	2,552	65,826	2,947	491	$11,705	$4,793	$3,185	$2,519
Total Proved + Probable	7,065	189,437	8,202	1,367	$28,885	$15,143	$11,302	$9,569

Note: Based on the GLJ report effective December 31, 2024. Tables may not add due to rounding.

ANALYSIS FOR PEYTO SHAREHOLDERS

One of the guiding principles at Peyto is "to tell you the business facts that we would want to know if our positions were reversed". Therefore, each year Peyto provides an extensive analysis of the independent reserve evaluation that goes far beyond industry norms to answer the most important questions for shareholders:

1. Base Reserves - How did the "base reserves" that were on production at the time of the last reserve report perform during the year, and how did any change in commodity price forecast affect their value?
2. Value Creation - How much value did the 2024 capital investments create, both in current producing reserves and in undeveloped potential? Has the Peyto team earned the right to continue investing shareholders' capital?
3. Growth and Income - Are the projected cash flows capable of funding the growing number of undeveloped opportunities and a sustainable dividend stream to shareholders, without sacrificing Peyto's financial flexibility or allowing for the timely repayment of any debt used?
4. Risk Assessment - What are the risks associated with the assessment of Peyto's reserves and the risk of recovering future cashflows from the forecast production streams?

1. Base Reserves

Peyto's existing PDP reserves at the start of 2024 (the base reserves) were evaluated and adjusted for 2024 production as well as any technical or economic revisions resulting from the additional twelve months of production and commodity price data. As part of GLJ's independent engineering analysis, all base 2,968 producing reserve entities (zones/wells) were evaluated. These base producing wells and zones represent a total gross Estimated Ultimate Recoverable ("EUR") volume of 9.1TCF (remaining PDP+PA reserves plus all cumulative production to date), which is 2% higher than the prior year estimate. As a result, Peyto is pleased to report that its total base reserves continue to meet expectations, which provides confidence in the prediction of future recoveries.

The commodity price forecast used by GLJ in this year's evaluation is lower than last year for both natural gas and natural gas liquids, which has had the effect of decreasing the Net Present Value of all reserve categories. For example, 2023's PDP reserves decreased $268 million (10% of the debt adjusted 2023 NPV $_{10}$) due to the difference in commodity price forecasts. Despite the decrease in value due to lower prices, record PDP additions from Peyto's 2024 drilling program resulted in a 16% increase in the PDP BT NPV$_{10}$ over 2023. The 3CA price forecast used in the evaluation is available on GLJ's website at www.gljpc.com

For 2025, Peyto estimates a total base decline rate of approximately 27% from the monthly average production in December 2024 of 136 Mboe/d. The historical base decline rates and capital programs are shown in the following table:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025F
Base Decline (%/yr)*	40%	37%	35%	29%	23%	27%	30%	29%	27%**	27%
Capital Expenditures ($MM)	$469	$521	$232	$206	$236	$365	$529	$413	$458	$475

**The base decline represents the aggregate annual decline of all wells on production at the end of the previous year.*
***2024 base decline adjusted to account for voluntarily shut-in volumes associated with uneconomic ethane production as well as the shut-down of sour gas production as Edson Gas Plant.*

2. Value Creation/Reconciliation

During 2024, Peyto invested a total of $458 million in organic activity to evaluate exploration lands, expand its pipeline gathering network, and drill, complete and tie-in 77 gross (75.3 net) wells. In keeping with Peyto's strategy of maximizing shareholder returns, an evaluation of the economic outcome of this investment activity is necessary to determine, on a go-forward basis, the best use of shareholders' capital. Not only does this look back analysis give shareholders a detailed report card on the capital that was invested, but it also helps illustrate the potential returns that can be generated from similar undeveloped future opportunities.

Exploration, Development, and Acquisition Activity

Of the total capital invested in exploration and development activities (excluding acquisitions) in 2024, approximately 1% was spent acquiring lands and seismic, 16% on pipeline and facility projects, and the remaining 83% was spent on drilling, completing, and connecting existing and new reserves. This capital program delivered an incremental 47,300 boe/d, after adjustments for base production backout and voluntary shut-ins, generating a capital efficiency of $9,700/boe/d. Of the 77 gross wells drilled, 58 or 75%, were previously identified as undeveloped reserves in last year's reserve report (47 Proved, 11 Probable locations). The remaining 19 wells were new locations developed in the year, on both existing and acquired lands, and were not recognized in last year's report.

The undeveloped reserves at year-end 2023 originally booked to the 58 drilled locations, referred to above, totaled 305 BCFe (5.3 BCFe/well) of Proved plus Probable Undeveloped reserves for a forecast capital investment of $270 million ($0.89/Mcfe). In actuality, 441 BCFe (7.6 BCFe/well) were developed for $289 million of capital on these wells during 2024, resulting in a conversion cost of $0.66/Mcfe or a 26% improvement over what was previously forecast. Peyto continued to increase average horizonal lengths through 2024 which had the result of increasing total capital spent but also significantly improving year-over-year finding costs with greater reserve recoveries. Additionally, the results generated from both Peyto legacy lands and Repsol acquired lands have outperformed expectations throughout the year.

The following table illustrates the Company's historical performance in converting predicted future undeveloped locations into producing wells and demonstrates that, other than the rapid inflation experienced in 2022, Peyto has typically converted more reserves at a lower cost than was forecast.

Reserve Year	Total Drills	Booked Locations Converted	Booked/ Total		Forecast Outcome			Forecast Cost per Unit		Actual Outcome			Actual Cost per Unit		Actual/ Forecast Cost per Unit	
	gross wells	gross wells			BCFe	Capex* $MM		$/Mcfe		BCFe	Capex* $MM		$/Mcfe			
2015	140	103	74	%	307	$	456	$	1.49	348	$	385	$	1.11	-26	%
2016	128	82	64	%	254	$	297	$	1.17	254	$	246	$	0.97	-17	%
2017	142	97	68	%	298	$	295	$	0.99	321	$	305	$	0.95	-4	%
2018	70	37	53	%	104	$	115	$	1.10	120	$	118	$	0.98	-11	%
2019	61	39	64	%	129	$	111	$	0.86	123	$	109	$	0.88	+2	%
2020	64	52	81	%	172	$	158	$	0.92	165	$	135	$	0.82	-11	%
2021	95	61	64	%	221	$	193	$	0.87	227	$	192	$	0.84	-3	%
2022	95	79	83	%	331	$	268	$	0.81	333	$	320	$	0.96	+19	%
2023	72	44	61	%	171	$	159	$	0.93	236	$	196	$	0.83	-11	%
2024	77	58	75	%	305	$	270	$	0.89	441	$	289	$	0.66	-26	%
Total	944	652	69	%	2,292	$	2,322	$	1.01	2,568	$	2,295	$	0.89	-12	%

**Capex represents only well related capital for drilling, completion, equipping and tie-in*

This annual analysis of reserves that are converted from undeveloped to developed provides confidence in the validity of the remaining future undeveloped reserves and the associated capital requirements. This helps Peyto predict future reserve recoveries and capital requirements and reduces the risk associated with valuing future undeveloped locations.

Value Reconciliation

In order to measure the success of all capital invested in 2024, it is necessary to quantify the total amount of value created during the year and compare that to the total amount of capital invested. Each year, Peyto runs last year's reserve evaluation with this year's price forecast to remove the change in value attributable to commodity prices. This approach isolates the value created by the Peyto team from the value created (or lost) by those changes outside of their control (ie. Commodity prices). Since capital investments can be funded from a combination of cash flow, debt and equity, it is necessary to know the change in debt and the change in shares outstanding to see if the change in value is truly accretive to shareholders.

At year-end 2024, Peyto's estimated net debt[13] decreased by approximately 0.7% or $10 million from December 31, 2023, while the number of shares outstanding increased by 2%, due to the Company's stock option program, to 197.8 million shares. In calculating the change in debt, the Company included all capital expenditures, and the total fixed and performance-based compensation paid out for the year. Although these estimates are believed to be accurate, they remain unaudited at this time and may be subject to change.

Based on this reconciliation of changes in BT NPV_0, the Peyto team was able to create $1.9 billion of PDP, $2.4 billion of TP, and $3.6 billion of P+P undiscounted reserve value, with $458 million of capital investment. The ratio of capital expenditures to value creation is what Peyto refers to as the NPV_0 recycle ratio[4], which is simply the undiscounted value addition, resulting from the capital program and acquisition, divided by the capital and acquisition investment. For 2024, the PDP NPV_0 recycle ratio is 4.1, which means for each dollar invested, the Peyto team was able to create 4.1 new dollars of undiscounted PDP reserve value.

The historic NPV_0 recycle ratios are presented in the following table.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	10 yr Wt. Avg.
Capital Investment ($MM)	$594	$469	$521	$232	206	$236	$365	$529	$1,112	$458	
NPV_0 Recycle Ratio											
Proved Developed Producing	2.3	2.9	2.3	4.6	1.8	3.5	5.2	3.6	2.0	4.1	3.0
Total Proved	3.3	4.2	3.2	11.7	5.5	6.9	5.5	4.0	4.4	5.3	4.8
Total Proved + Probable	5.0	7.3	4.0	15.1	9.2	6.5	11.5	3.8	7.8	7.9	7.2

**NPV_0 (net present value) recycle ratio is calculated by dividing the undiscounted NPV of reserves added in the year by the total capital cost for the period (eg. 2024 Proved Developed Producing $1,857/$458) =4.1).*

3. Growth and Income

Over the past 22 years, Peyto has paid a total of $22.63/share to shareholders in the form of distributions and dividends. Peyto's objective, as a dividend paying, growth-oriented corporation, is to profitably grow the resources which generate sustainable income (dividends) for shareholders. For income to be sustainable and grow, Peyto must profitably find and develop more reserves. Simply increasing production from the existing reserves will not make that income more sustainable. RLI, or a reserve to production ratio, provides a measure of this long-term sustainability.

During 2024, the Company's capital program was successful in replacing 166% of annual production with new PDP reserves, resulting in 7% growth. Fourth quarter production increased 11%, from 120 Mboe/d (623 MMcf/d gas, 16,175 bbl/d NGLs) to 133 Mboe/d (708 MMcf/d gas, 15,409 bbl/d NGLs). The change in both PDP reserves and fourth quarter production held the PDP RLI (ratio of the two) flat at 10 years. For comparative purposes, the TP and P+P RLI were 18 and 28 years, respectively. Management believes that the most meaningful method to evaluate the current reserve life is by dividing the PDP reserves by the actual fourth quarter annualized production. This way production is being compared to producing reserves as opposed to producing plus non-producing reserves.

The following table highlights the Company's historical RLI.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Proved Developed Producing	7	7	7	9	9	9	9	9	10	10
Total Proved	11	11	11	16	19	18	16	15	19	18
Total Proved + Probable	17	18	18	25	29	27	25	24	30	28

Future Undeveloped Opportunities

Every year Peyto finds and develops new drilling inventory that GLJ reviews to create a forecast of future development activity. Their forecast is by no means a complete assessment of Peyto's current opportunities, nor is Peyto content to just sit back and harvest these current opportunities. Each year the results from the drilling and acquisition activity spawn additional offsetting locations both on currently owned lands and lands Peyto does not yet own but attempts to acquire.

As of December 31, 2024, the future drilling locations recognized in the reserve report totaled 1,604 gross (1,293 net). This is down slightly from the previous year of 1,616 (1,292 net) as a result of optimization of future locations. Of these future locations, 1,056 (66%) are categorized as Proven Undeveloped by the independent reserve evaluators, while 548 (34%) are Probable Undeveloped locations. The net reserves associated with the undeveloped locations (not including existing uphole zones) totals 4.6 TCFe (3.6 BCFe/well) consisting of 3.96 TCF of natural gas and 106 MMbbls of NGLs, while the capital required to develop them is estimated at $5.7 billion or $1.23/Mcfe. This development is forecast to create Before Tax Net Present Value of $4.0 billion (at 10% discount rate, inclusive of profit after capital recovery and future abandonment liability) or $18 per share (debt adjusted) of incremental value at the 3CA commodity price forecast.

The undiscounted forecast for Net Operating Income for the TP and P+P reserves over the future development capital schedule, as contained in the evaluator's report, totals $8.9 billion and $15.8 billion, respectively, more than sufficient to fund the future development capital shown in the table below, ensuring those reserve additions are accretive to shareholders.

	Future Development Capital	
	TP Reserves	P+P Reserves
Year	Undisc., ($Millions)	Undisc., ($Millions)
2025	493	496
2026	483	498
2027	423	559
2028	533	602
2029	575	603
2030	542	598
2031	338	597
2032	-	601
Thereafter	-	1,154
Total	3,386	5,707

4. Risk Assessment

Effectively 100% of Peyto's natural gas and natural gas liquid reserves exist in low permeability (tight), sandstone reservoirs in the Alberta Deep Basin. In almost all cases, the volumetric capacity of these sandstone reservoirs can be determined using traditional geological and reservoir engineering methods, which, when complimented by production performance data, increases the certainty of the reserve estimates. In the majority of Peyto's core areas, continuous drilling activity has further refined the geologic and geometric definition of these reservoirs to a higher level of certainty.

In addition, these Deep Basin sandstone reservoirs do not contain mobile water, nor are they supported by active aquifers. Mobile water traditionally increases the risk associated with reservoir recovery by impeding the flow of hydrocarbons through the reservoir and up the wellbore. Water production, separation and disposal processes also increase operating costs which shortens the economic life of producing wells, further contributing to reduced recovery. As many of these traditional reserves determination and recovery risks are not present in Peyto's Deep Basin reservoirs, Management has a higher level of confidence in its reserves and their ultimate recovery.

Peyto's high operating margins have meant that forecasts of net operating income are less affected by commodity price volatility than in most traditional reserve evaluations. As a result, the predicted economic life of Peyto's producing wells is less sensitive to changes in commodity prices. These high operating margins are achieved through the Company's high level of ownership and control of all levels of production operations, through a concentrated geographic asset base, and by striving to be the lowest cost producer in the industry.

Peyto attempts to further reduce the risk of predicted operating incomes with an active market diversification and hedging program that is designed, over time, to smooth out the volatility in both Alberta and US natural gas markets through a series of frequent transactions which is like "dollar cost averaging" the future gas price.

Finally, Peyto is the operator of over 96% of its producing wells, which fits with the Company's own and control strategy. As of December 31, 2024, Peyto owned a total of 2,819 net wells of which over 90% are on production today and most are expected to produce for decades to come. Despite the Company's very low non-producing well count, Peyto has an active well retirement program where 14 net wells were abandoned in 2024. For perspective, the current existing developed reserves have a forecast value of $5.6 billion ($NPV_{10}$ of the PDP + PA and PDNP + PA), while the cost to abandon and reclaim all wells, well sites, pipelines, and facilities is estimated at $80 million using the same 10% discount rate for future costs. Peyto's future abandonment and reclamation costs are substantially within the province of Alberta and are estimated in a manner that is consistent with Alberta Energy Regulator ("AER") Directive 11 and other Alberta-based exploration and production companies. Peyto plans to spend approximately $10 million on abandonment and reclamation activities in 2025 which exceeds the mandatory spending requirements as set out by the AER for the period.

PERFORMANCE RATIOS

The following table highlights annual performance ratios for the last decade. These can be used for comparative purposes, but it is cautioned that on their own they do not measure investment success.

	2024	2023	2022	2021	2020	2019	2018
Proved Developed Producing							
FD&A ($/Mcfe)	$1.00	$1.21	$1.41	$0.97	$1.06	$1.55	$1.18
RLI (yrs)	10	10	9	9	9	9	9
Recycle Ratio	3.3	2.9	2.8	2.8	1.5	1.4	2.3
Reserve Replacement	166 %	400 %	165 %	188 %	127 %	75 %	98
Total Proved							
FD&A including the change in FDC ($/Mcfe)	$0.90	$1.43	$1.75	$1.10	$0.20	$1.41	$1.21
RLI (yrs)	18	19	15	16	18	19	16
Recycle Ratio	3.6	2.5	2.3	2.4	8.0	1.5	2.2
Reserve Replacement	199 %	727 %	159 %	194 %	132 %	137 %	294
Future Development Capital ($ millions)	$3,386	$3,352	$2,081	$1,979	$1,917	$2,107	$1,971
Total Proved + Probable							
FD&A including the change in FDC ($/Mcfe)	$0.61	$1.22	$2.03	$1.09	($0.01)	$1.25	1.02
RLI (yrs)	28	30	24	25	27	29	25
Recycle Ratio	5.3	2.9	1.9	2.5	N/A	1.7	2.6
Reserve Replacement	239 %	1077 %	167 %	308 %	167 %	140 %	342
Future Development Capital ($millions)	$5,707	$5,764	$3,855	$3,612	$3,308	$3,547	$3,445

See Non-GAAP Financial Ratios in the Advisories section of this news release for details on the calculation *of the above metrics.*

RESERVES COMMITTEE

Peyto has a reserves committee, comprised of a majority of independent board members, that reviews the qualifications and appointment of the independent reserve evaluators. The committee also reviews the procedures for providing information to the evaluators. All booked reserves are based upon annual evaluations by the independent qualified reserve evaluators conducted in accordance with the COGE (Canadian Oil and Gas Evaluation) Handbook and National Instrument 51-101. The evaluations are conducted using all available geological and engineering data. The reserves committee has reviewed the reserves information and approved the reserve report.

GENERAL

A complete filing of the Statement of Reserves (form 51-101F1), Report on Reserves (form 51-101F2), and Report of Management and Directors on Oil and Gas Disclosure (form 51-101F3) will be available in the Annual Information Form to be filed by the end of March 2025. Shareholders are encouraged to actively visit Peyto's website located at www.peyto.com. For further information, please contact Jean-Paul Lachance, President and Chief Executive Officer of Peyto at (403) 261-6081.

ADVISORIES

Unaudited Financial Information

Certain financial and operating information included in this news release including, without limitation, exploration and development expenditures, acquisitions, field netbacks, funds from operations, net debt, FD&A costs, Finding & Development costs excluding acquisitions, acquisition costs, and recycle ratio, are based on estimated unaudited financial results for the year ended December 31, 2024, and are subject to the same limitations as discussed under Forward Looking Information set out below. These estimated amounts may change upon the completion of audited financial statements for the year ended December 31, 2024 and changes could be material.

Information Regarding Disclosure on Oil and Gas Reserves

Some values set forth in the tables above may not add due to rounding. It should not be assumed that the estimates of future net revenues presented in the tables above represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained, and variances could be material. The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year.

Forward-Looking Information

This news release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: management's assessment of Peyto's future plans and operations, including the 2025 capital expenditure program, the volumes and estimated value of Peyto's reserves, the life of Peyto's reserves, production estimates, project economics including NPV, netback and recycle ratio, the ability to enhance value of reserves for shareholders and ensure the reserves generate the maximum possible return; management's belief that Peyto's commodity hedges and the majority of the Company's natural gas diversification contracts will not be impacted directly by potential tariffs imposed by the U.S.; and management's assessment of limited impact from counter tariffs that might be imposed by Canada on U.S. imports. Forward-looking statements or information are based on a number of material factors, expectations or assumptions of Peyto which have been used to develop such statements and information, but which may prove to be incorrect. Although Peyto believes that the *expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking information and statements because Peyto can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, the impact of increasing competition, the timely receipt of any required regulatory approvals, the ability of Peyto to obtain qualified staff, equipment and services in a timely and cost efficient manner, drilling results, field production rates and decline rates, the ability to replace and expand reserves through development and exploration, future commodity prices, currency, exchange and interest rates, regulatory framework regarding royalties, taxes, tariffs and environmental matters and the ability of Peyto to successfully market its oil and natural gas products. By their nature, forward-looking information and statements are subject to numerous risks and uncertainties, some of which are beyond these parties' 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. 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 information and statements will transpire or occur, or if any of them do so, what benefits that Peyto will derive therefrom. The forward-looking information and statements contained in this news release speak only as of the date of this news release, and Peyto does not assume any obligation to publicly update or revise any of the included forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.*

This news release contains information, including in respect of Peyto's 2025 capital program, which may constitute future oriented financial information or a financial outlook. Such information was approved by the Board of Directors of Peyto on February 20, 2025, and such information is included herein to provide readers with an understanding of the Company's anticipated capital expenditures for 2025. Readers are cautioned that the information may not be appropriate for other purposes.

Barrels of Oil Equivalent
Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Drilling Locations
This news release discloses drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from the independent engineering evaluation of Peyto's oil, NGLs and natural gas interests prepared by GLJ dated February 20, 2025 and effective December 31, 2024 (the "Peyto Report"). Unbooked locations are internal estimates based on prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves. 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 drill 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.

Non-GAAP and Other Financial Measures

Throughout this news release, Peyto employs certain specified financial measures to analyze financial and operating 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. Such metrics have been included by Peyto to give readers additional *measures to evaluate the Peyto's performance; however, such measures are not reliable indicators of the future performance of Peyto and future performance may not compare to the performance in previous periods and therefore such metrics should not be unduly relied upon.*

Non-GAAP Financial Measures

Funds from Operations
"Funds from operations" is a non-GAAP measure which represents cash flows from operating activities before changes in non-cash operating working capital and provision for future performance-based compensation. Management considers funds from operations and per share calculations of funds from operations to be key measures as they demonstrate the Company's ability to generate the cash necessary to pay dividends, repay debt and make capital investments. Management believes that by excluding the temporary impact of changes in non-cash operating working capital, funds from operations provides a useful measure of Peyto's ability to generate cash that is not subject to short-term movements in operating working capital. The most directly comparable GAAP measure is cash flows from operating activities.

Capital Expenditures
Peyto uses the term capital expenditures as a measure of capital investment in exploration and production activity, as well as property acquisitions and divestitures, and such spending is compared to the Company's annual budgeted capital expenditures. The most directly comparable GAAP measure for total capital expenditures is cash flow used in investing activities.

Net Debt
"Net debt" is a non-GAAP financial measure that is the sum of long-term debt and working capital excluding the current financial derivative instruments and current portion of lease obligations. It is used by management to analyze the financial position and leverage of the Company. Net debt is reconciled to long-term debt which is the most directly comparable GAAP measure.

Non-GAAP Financial Ratios

Netback per MCFE
"Netback" is a non-GAAP measure that represents the profit margin associated with the production and sale of petroleum and natural gas. Peyto computes "field netback per Mcfe" as commodity sales from production, plus net third party sales, if any, plus other income, less royalties, operating, and transportation expense divided by production.

Finding, Development and Acquisition Costs
FD&A (finding, development and acquisition) costs are used as a measure of capital efficiency and are calculated by dividing the capital costs for the period, plus acquisition costs and including the change in undiscounted FDC, by the change in the reserves, incorporating revisions and production, for the same period (eg. 2024 Total Proved ($458MM+$0MM+$33MM)/(875.9Mboe-830.5Mboe+45.8Mboe) = $5.38/boe or $0.90/Mcfe).

Finding and Development Costs
F&D (finding and development) costs are used as a measure of capital efficiency and are calculated by dividing the capital costs for the period, including the change in undiscounted FDC, by the change in the reserves, incorporating revisions and production, for the same period.

Reserve Life Index
The RLI is calculated by dividing the reserves (in boes) in each category by the annualized Q4 average production rate in boe/year (eg. 2024 Proved Developed Producing 473,834Mboe/(133Mboe/d x366) =9.7). Peyto believes that the most accurate way to evaluate the current reserve life is by dividing the proved developed producing reserves by the annualized actual fourth quarter average production. In Peyto's opinion, for comparative purposes, the proved developed producing reserve life provides the best measure of sustainability.

NPV_0 Recycle Ratio
The NPV_0 Recycle Ratio is the ratio of capital expenditures to value creation, which is simply the

undiscounted value addition, resulting from the capital program and acquisition, divided by the capital and acquisition investment.

Recycle Ratio
The Recycle Ratio is calculated by dividing the field netback per boe, by the FD&A costs for the period (eg. 2024 Proved Developed Producing $19.59/boe/$6.01/boe=3.3). The recycle ratio compares the netback from existing reserves to the cost of finding new reserves and may not accurately indicate investment success unless the replacement reserves are of equivalent quality as the produced reserves.

Reserve Replacement Ratio
The reserve replacement ratio is determined by dividing the yearly change in reserves before production by the actual annual production for the year (eg. 2024 Total Proved (875.9Mboe-830.5Mboe+45.8Mboe)/45.8Mboe =199%).

Compound Annual Growth Rate
The compound annual growth rate (CAGR) is the annualized average rate of PDP reserves growth from 1998 to 2024, assuming growth takes place at an exponentially compounded rate.

Capital Efficiency
Capital Efficiency refers to how efficiently the Company utilizes its capital investment to generate production. It is calculated by dividing the capital costs for the period, plus acquisition costs, by December production volumes added from the 2024 capital program (eg. 2024 capital efficiency ($458MM)/(47,300 boe/d) = $9,700 per boe/d).

The Toronto Stock Exchange has neither approved nor disapproved the information contained herein.

---

[1] *BCF and TCF refers to billions and trillions of cubic feet, respectively*
2 MMboe refers to million barrels of oil equivalent
[3] *F&D and FD&A are non-GAAP financial ratios. See "non-GAAP and Other Financial Measures" in this news release*
[4] *Capital efficiency is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release*
[5] *Field netback operations is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release*
[6] *Recycle ratio and NPV Recycle Ratio are non-GAAP financial ratios. See "non-GAAP and Other Financial Measures" in this news release*
[7] *Capital expenditures is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release*
[8] *Funds from operations is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release*
[9] *It should not be assumed that the estimates of future net revenues (NPVs) represent the fair market value of the reserves*
[10] *Compound annual growth rate (CAGR) is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release*
[11] *RLI is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release*
[12] *Developed Reserves is Total Proved + Probable Developed Reserves and includes Proved + Probable Developed Producing reserves and Proved + Probable Developed Non-Producing reserves*
[13] *Net debt is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release*