



## THIRD INTERIM REPORT 2006

Press Release November 2, 2006

Calgary – NuVista Energy Ltd. is pleased to announce its financial and operating results for the three and nine months ended September 30, 2006 as follows:

### Corporate Highlights

	Three Months ended			Nine Months ended		
	September 30, 2006	2005	% Change	September 30, 2006	2005	% Change
<b>Financial</b>						
(\$ thousands, except per share)						
Production revenue	47,530	48,474	(2)	143,445	106,365	35
Funds from operations <sup>(1)</sup>	25,548	30,699	(17)	80,471	65,623	23
Per share – basic	0.52	0.68	(24)	1.65	1.55	6
Per share – diluted	0.51	0.65	(22)	1.61	1.50	7
Net income	4,082	11,339	(64)	29,519	23,259	27
Per share – basic	0.08	0.25	(68)	0.61	0.55	11
Per share – diluted	0.08	0.24	(67)	0.59	0.53	11
Total assets				556,151	425,392	31
Bank loan, net of working capital				155,401	94,001	65
Shareholders' equity				289,735	238,868	21
Net capital expenditures	29,959	173,458	(83)	167,611	223,247	(25)
Weighted average common shares outstanding (thousands):						
Basic	48,981	45,479	8	48,639	42,219	15
Diluted	49,887	47,108	6	49,869	43,816	14
<b>Operating</b>						
(boe conversion – 6:1 basis)						
Production:						
Natural gas (mmcf/d)	62.3	44.7	39	56.9	36.6	55
Oil and liquids (bbls/d)	2,180	2,419	(10)	2,253	2,253	-
Total oil equivalent (boe/d)	12,557	9,874	27	11,743	8,347	41
Product prices:						
Natural gas (\$/mcf)	6.32	8.84	(29)	7.17	7.90	(9)
Oil and liquids (\$/bbl)	56.46	54.29	4	52.03	44.73	16
Operating expenses:						
Natural gas (\$/mcf)	0.78	0.69	13	0.80	0.72	11
Oil and liquids (\$/bbl)	7.61	7.24	5	8.28	7.22	15
Total oil equivalent (\$/boe)	5.20	4.92	6	5.48	5.08	8
General and administrative expenses (\$/boe)	0.61	0.50	22	0.59	0.48	23
Cash costs (\$/boe) <sup>(2)</sup>	7.46	6.46	15	7.26	6.39	14
Funds from operations netback (\$/boe) <sup>(1)</sup>	22.12	33.80	(35)	25.10	28.80	(13)

#### NOTES:

- (1) Funds from operations and funds from operations per share and per boe are not defined by GAAP in Canada and are referred to as non-GAAP measures. Funds from operations are based on cash flow from operating activities before changes in non-cash working capital and abandonment expenditures. Funds from operations per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net income per share. Funds from operations netback equals the total of revenues less royalties, transportation, and cash costs calculated on a boe basis. Total boe is calculated by multiplying the daily production by the number of days in the period.
- (2) Cash costs equal the total of operating, general and administrative and interest expenses and cash taxes.

## MESSAGE TO SHAREHOLDERS

NuVista Energy Ltd. ("NuVista") is pleased to report to shareholders its financial and operating results for the three and nine months ended September 30, 2006. The results of the third quarter of 2006 represent the thirteenth consecutive quarter of continuous profitable growth for NuVista since its creation on July 2, 2003. The Board of Directors and management are very pleased with the results, accomplishments and corresponding value created for its shareholders.

NuVista experienced strong operating performance during the three months ended September 30, 2006. In the third quarter of 2006 NuVista achieved record quarterly production averaging 12,557 boe/d, an 11% increase compared to the prior quarter and a 27% increase compared to the third quarter of 2005. During the third quarter of 2006, NuVista did not experience the weather and rig availability issues that it experienced in the first half of 2006 enabling it to complete a 47 (37.7 net) well drilling program. NuVista experienced delays in the tie-in of production during the third quarter. Production from four significant wells representing 600 boe/d of net production was delayed from early September to early November. These wells have now been tied-in bringing NuVista's production capability to 13,200 boe/d and NuVista expects to exit 2006 with production of 14,000 boe/d.

Significant highlights for NuVista during the nine months ended September 30, 2006 include:

- Increased average production by 41% to 11,743 boe/d from 8,347 boe/d during the same period in 2005;
- Drilled 110 (89.5 net) wells compared to 76 (57.6 net) during the same period in 2005, with an 89% success rate;
- Completed a significant acquisition of Saskatchewan properties creating a new core area in West Central Saskatchewan and increased the Company's prospect inventory;
- Increased undeveloped land by 34% since December 31, 2005 to approximately 572,000 net acres;
- The addition of finance, land and human resources teams to prepare NuVista for an increasing level of autonomy and less reliance on the Technical Services Agreement with Bonavista Petroleum Ltd. ("Bonavista");
- Maintained an industry leading low operating cost structure with average operating costs of \$5.48/boe and cash costs of \$7.26/boe.

NuVista will continue with its disciplined approach to its business plan and will diligently monitor its plans in the context of natural gas prices. NuVista has hedged natural gas production that will partially mitigate weaker natural gas prices and has prudently managed its financial leverage to provide financial flexibility. NuVista expects to drill 45 to 50 wells in the fourth quarter of 2006 focusing on its new West Central Saskatchewan core area and recently acquired lands in the Pembina core area. The delays in the tie-in of wells coupled with continued optimization of our new production at Auburndale in the Provost core area, has resulted in October production remaining at third quarter levels.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis ("MD&A") of financial conditions and results of operations should be read in conjunction with NuVista's interim consolidated financial statements for the three and nine months ended September 30, 2006 and the audited consolidated financial statements and MD&A for the years ended December 31, 2005 and 2004. The following MD&A of financial condition and results of operations was prepared at and is dated November 2, 2006. Our audited consolidated financial statements, current annual information form and other disclosure documents are filed on SEDAR at [www.sedar.com](http://www.sedar.com). Other corporate documentation can be obtained from our website at [www.nuvistaenergy.com](http://www.nuvistaenergy.com).

**Basis of Presentation** – *The reporting and the measurement currency is the Canadian dollar. For the purpose of calculating unit costs, natural gas is converted to a barrel of oil equivalent ("boe") using six thousand cubic feet of natural gas equal to one barrel of oil unless otherwise stated.*

**Forward-Looking Statements** – *Certain information set forth in this document, including management's assessment of NuVista's future plans and operations, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond NuVista'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 and services, 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. NuVista's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements, or if any of them do so, what benefits that NuVista will derive therefrom. NuVista disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.*

**Non-GAAP Measurements** - *Within Management's discussion and analysis, references are made to terms commonly used in the oil and gas industry. Management uses funds from operations and the ratio of debt to funds from operations to analyze operating performance and leverage. Funds from operations as presented do not have any standardized meaning prescribed by Canadian GAAP and therefore it may not be comparable with the calculation of similar measures for other entities. Funds from operations as presented is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating*

*activities, net income or other measures of financial performance calculated in accordance with Canadian GAAP. All references to funds from operations throughout this report are based on cash flow from operating activities before changes in non-cash working capital and abandonment expenditures. Funds from operations per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net income per share. Total boe is calculated by multiplying the daily production by the number of days in the period.*

**Operating activities** – During the third quarter of 2006, NuVista participated in 47 (37.7 net) wells operating 42 of the wells drilled. The success rate of 89% in this drilling program resulted in 31 natural gas and 12 oil wells. For the nine months ended September 30, 2006, NuVista drilled 110 (89.5 net) wells resulting in 80 natural gas and 19 oil wells, for an overall success rate of 89%. A relatively dry summer permitted NuVista to proceed with an active third quarter drilling program compared to the second quarter of 2006 which has been negatively impacted by a long spring break-up and wet weather. NuVista continues to actively drill in its core areas with 45 to 50 wells planned for the fourth quarter. NuVista has commenced its fourth quarter drilling program, participating in 10 wells thus far and currently has two drilling rigs contracted for the balance of the year.

**Production** – For the third quarter of 2006, NuVista's average production was 12,557 boe/d, comprised of 62.3 mmcf/d of natural gas and 2,180 bbls/d of oil and liquids, which represents a 27% increase over the same period in 2005. For the nine months ended September 30, 2006 NuVista's average production was 11,743 boe/d, comprised of 56.9 mmcf/d of natural gas and 2,253 bbls/d of oil and liquids, which represents a 41% increase over the same period in 2005. Increases in total production volumes for both the three month and nine month periods compared to the prior year, are a result of the natural gas property acquisitions completed on August 4, 2005 and June 1, 2006, and exploration and development activity, net of normal production declines. Oil production for the three months ended September 30, 2006 as compared to the three month ended September 30, 2005, was lower due primarily to pipeline replacement at the Amisk property that continued into July.

**Revenues** – Revenues for the three months ended September 30, 2006 were \$47.5 million, as compared to \$48.5 million for the three months ended September 30, 2005. This variance is due to a 23% decrease in average realized prices, partially offset by a 27% increase in production volumes. Revenues for the three months ended September 30, 2006 were comprised of \$36.2 million from natural gas and \$11.3 million from oil and liquids. Revenues for the nine months ended September 30, 2006 were \$143.4 million as compared to \$106.4 million. This increase is due to a 41% increase in production volumes, offset by a 4% decrease in average realized prices. Revenues for the nine months ended September 30, 2006 were comprised of \$111.4 million from natural gas and \$32.0 million from oil and liquids. In the three months ended September 30, 2006 compared to the same period of 2005, the average natural gas price decreased 29% and oil and liquids prices increased 4%. In the first nine months of 2006 when compared to the same period in 2005, the average natural gas price decreased 9% and oil and liquids prices increased 16%.

**Commodity hedging** – As part of our financial management strategy, NuVista has adopted a disciplined commodity hedging program. The purpose of the hedging program is to reduce volatility in our financial results, protect acquisition economics and stabilize cash flow against the unpredictable commodity price environment. NuVista's Board of Directors has approved a hedging limit of 60% of forecast production, net of royalties, primarily using costless collars. Our strategy of using costless collars limits NuVista's exposure to downturns in commodity prices, while allowing for participation in commodity price increases. For the three months ended September 30, 2006, the hedging program resulted in a gain of \$3.6 million primarily on natural gas contracts, as compared to a loss of \$694,000 in the same period in 2005. For the nine months ended September 30, 2006, the hedging program has resulted in a gain of \$8.4 million as compared to a loss of \$726,000 in the same period of 2005. The gain of \$8.4 million for the first nine months of 2006 consisted of a \$8.5 million gain on natural gas hedges and a \$100,000 loss on crude oil hedges. A summary of hedging contracts in place as at September 30, 2006 is included in note 5 of the interim consolidated financial statements for the nine months ended September 30, 2006.

**Royalties** – Royalties for the three months ended September 30, 2006 were \$12.4 million, as compared to \$11.1 million reported for the three months ended September 30, 2005. Royalties for the nine months ended September 30, 2006 were \$37.0 million, as compared to \$24.0 million reported for the nine months ended September 30, 2005. The increase in royalties for the third quarter of 2006 when compared to the same period in 2005 resulted from higher natural gas royalties on the Saskatchewan properties acquired in 2006. For the nine months of 2006 when compared to the same period in 2005, royalties increased primarily due to higher revenues. As a percentage of revenues, the average royalty rate for the third quarter of 2006 was 26% compared to 23% for the comparative period of 2005. Royalty rates by product for the third quarter of 2006 were 30% for natural gas and 13% for oil and liquids versus 25% for natural gas and 17% for oil and liquids for the similar period in 2005. For the nine months ended September 30, 2006, the average royalty rate as a percentage of revenue was 26% compared to 23% for the comparative period of 2005. Royalty rates by product were 29% for natural gas and 15% for oil and liquids versus 24% for natural gas and 18% for oil and liquids for the similar period in 2005. The increase in the average royalty rates for both the three and nine month periods ending September 30, 2006 compared to the same period in 2005, results primarily from higher royalty rates associated with Saskatchewan production acquired in August 2005 and June 2006.

**Operating** – Operating expenses were \$6.0 million (\$5.20/boe) for the three months ended September 30, 2006 as compared to \$4.5 million (\$4.92/boe) for the three months ended September 30, 2005. This increase resulted from the 27% increase in production volumes and a 6% increase in per unit costs. Operating expenses were \$17.6 million (\$5.48/boe) for the nine months ended September 30, 2006 as compared to \$11.6 million (\$5.08/boe) for the nine months ended September 30, 2005. This increase resulted from the 41% increase in production volumes and an 8% increase in per unit costs. For the three months ended September 30, 2006 natural gas operating costs averaged \$0.78/mcf and oil and liquids operating expenses were \$7.61/bbl as compared to \$0.69/mcf and \$7.24/bbl respectively for the same period in 2005. For the nine months ended September 30, 2006 natural gas operating expenses averaged \$0.80/mcf and oil and liquids operating expenses were \$8.28/bbl as compared to \$0.72/mcf and \$7.22/bbl respectively for the same period of 2005. The increase in per unit costs resulted from increasing cost pressures facing NuVista and the entire industry. Despite these increases, NuVista should remain in the top quartile for oil and natural gas companies in its peer group.

**Transportation** – Transportation costs were \$930,000 (\$0.81/boe) for the three months ended September 30, 2006 as compared to \$841,000 (\$0.92/boe) for the same period of 2005. Transportation costs were \$2.7 million (\$0.84/boe) for the nine months ended September 30, 2006 compared to \$2.2 million (\$0.95/boe) for the same period of 2005. The increase in transportation costs in 2006 compared to 2005 is primarily due to the 41% increase in production volumes. The reduction in per unit transportation costs in 2006 compared to 2005 is due to the increase in lower cost natural gas production relative to NuVista's overall production mix.

**General and administrative** – General and administrative expenses, net of overhead recoveries, were \$705,000 (\$0.61/boe) as compared to \$457,000 (\$0.50/boe) for the three months ended September 30, 2005. General and administrative expenses, net of overhead recoveries, for the nine months ended September 30, 2006 were \$1.9 million (\$0.59/boe) as compared to \$1.1 million (\$0.48/boe) for the nine months ended September 30, 2005. This increase is directly attributable to the higher production base in NuVista, hiring of NuVista's own core area technical teams, higher employee costs being experienced throughout the energy industry and the allocation of higher overhead costs from Bonavista in accordance with the Technical Services Agreement (the "TSA"). For the nine months ended September 30, 2006, Bonavista charged NuVista \$1.6 million, as compared to \$1.2 million in the same period in 2005, for general and administrative services under the TSA. The TSA, entered into as part of the Plan of Arrangement, has allowed NuVista to initiate and continue with its successful and active capital programs, through the use of Bonavista's personnel in managing certain of its administrative functions and at the same time accessing Bonavista's low overhead cost structure. Bonavista is considered a related party. A description of the relationship with Bonavista is included in note 6 to the interim consolidated financial statements for the nine months ended September 30, 2006. With the growth in NuVista's operations, NuVista is placing less reliance on the TSA and by December 31, 2006 will be performing most business functions with its own staff. Upon completion of this transition, NuVista does not expect its general and administrative costs to be significantly higher on a boe basis.

NuVista recorded a stock-based compensation charge of \$897,000 for the three month period ended September 30, 2006 compared to \$543,000 for the same period in 2005, relating to stock options, common shares and Class B Performance Shares. For the nine month period ended September 30, 2006 NuVista recorded a stock-based compensation charge, relating to stock options, common shares and Class B Performance Shares, of \$2.0 million compared to \$1.1 million for the same period in 2005. The increase in stock-based compensation for the nine months ended September 30, 2006 as compared to the same period in 2005, is primarily due to an increase in the stock-based compensation granted by NuVista to new employees.

**Interest** – For the three months ended September 30, 2006, interest expense was \$1.9 million (\$1.65/boe), up 169% from \$709,000 (\$0.78/boe) in the same period of 2005. For the nine months ended September 30, 2006, interest expense was \$3.8 million (\$1.19/boe), up 171% from \$1.4 million (\$0.61/boe) in the same period of 2005. Higher interest costs in the third quarter and the first nine months of 2006 are due to higher average debt levels and higher average interest rates. Debt levels increased in 2006 as a result of the \$81.7 million Saskatchewan property acquisition. Currently NuVista's average borrowing rate is approximately 5.3%.

**Depreciation, depletion and accretion** – Depreciation, depletion and accretion expenses were \$18.1 million for the third quarter of 2006 as compared to \$12.0 million for the same period in 2005. The average per unit cost was \$15.68/boe in the third quarter of 2006 as compared to \$13.21/boe for the same period in 2005. Depreciation, depletion and accretion expenses for the nine months ended September 30, 2006 were \$47.7 million as compared to \$27.2 million for the same period in 2005. The average per unit cost was \$14.87/boe in the nine months of 2006 as compared to \$11.95/boe in the same period in 2005. The increase in the depreciation, depletion and accretion expenses for the three months and nine months ended September 30, 2006 as compared to the same periods in 2005, was due to higher production volumes and also reflects an increase in unit costs. Per unit costs have increased in 2006 when compared to 2005 due to the cost of property acquisitions completed in August 2005 and June 2006, coupled with higher industry exploration and development costs.

**Income and other taxes** – For the three months ended September 30, 2006, the provision for income and other taxes was \$2.4 million as compared to \$7.1 million for the same period in 2005. This decrease was primarily due to lower profitability resulting from lower natural gas prices in the third quarter of 2006 and the repealing of the Large Corporations Tax. For the nine months ended September 30, 2006, the provision for income and other taxes was \$1.2 million compared to \$14.5 million in the same period of 2005. For the nine months ended September 30, 2006 future income taxes were reduced by \$9.6 million due to the Federal and Provincial income tax rate reductions and the repealing of the Large Corporations Tax. The income tax expense for the nine months ended September 30, 2006 includes an income tax provision of \$10.8 million relating to income of this period at an effective tax rate of 35%, as compared to \$14.5 million at an effective tax rate of 38% relating in the same period of 2005.

**Capital expenditures** – Capital expenditures during the third quarter of 2006 were \$30.0 million, spent primarily on exploration and development activities. This compares to capital expenditures of \$173.5 million during the third quarter of 2005 consisting of \$22.8 million for exploration and development activities and \$150.7 million for acquisitions. Capital expenditures for the nine months ended September 30, 2006 were \$167.6 million, consisting of \$85.9 million for exploration and development spending and \$81.7 million for acquisitions. This compares to \$223.2 million incurred for the same period of 2005, consisting of exploration and development spending of \$72.5 million and \$150.7 million of acquisitions.

**Funds from operations and net income** – In the third quarter of 2006, funds from operations were \$25.5 million (\$0.52/share, basic), a 17% decrease over the \$30.7 million (\$0.68/share, basic) for the same period in 2005. For the nine months ended September 30, 2006, NuVista's funds from operations were \$80.5 million (\$1.65/share, basic), a 23% increase from \$65.6 million (\$1.55/share, basic) for the nine months ended September 30, 2005. Net income decreased 64% during the third quarter of 2006 to \$4.1 million (\$0.08/share, basic) from the \$11.3 million (\$0.25/share, basic) for the same period in 2005. For the nine months ended September 30, 2006 net income increased 27% to \$29.5 million (\$0.61/share, basic) from \$23.3 million (\$0.55/share, basic) for the same period in 2005. Decreases in funds from operations and net income for the third quarter of 2006 compared to the same period in 2005 are primarily due to lower natural gas prices. Increases in funds from operations and net income for the nine months ended September 30, 2006 as compared to the same periods in 2005 result primarily from increases in production that were only partially offset by lower natural gas prices.

**Liquidity and capital resources** – As at September 30, 2006, bank debt (including the working capital deficiency) was \$155.4 million with approximately \$24.6 million of undrawn bank borrowing capacity based on the current credit facility of \$180 million. These undrawn bank lines and funds from operations provide NuVista with the flexibility to fund its planned capital programs in the fourth quarter of 2006 and 2007. NuVista's exploration and development capital expenditures for 2007 will be monitored and adjusted based on the outlook for commodity prices and funds from operations. At September 30, 2006, NuVista's ratio of debt to annualized third quarter funds from operations is 1.5:1. As at November 2, 2006, there were 49,002,408 common shares 270,789 Class B Performance Shares outstanding. In addition, there were 3,635,799 stock options outstanding, with an average exercise price of \$11.90/share.

**Quarterly financial information** – The following table highlights NuVista's performance for the eight quarterly reporting periods from December 31, 2004 to September 30, 2006:

	2006				2005				2004
	September 30	June 30	March 31	December 31	September 30	June 30	March 31	December 31	
Production (boe/d)	12,577	11,357	11,303	11,031	9,874	7,783	7,358	6,703	
(\$ thousands, except per share amounts)									
Production revenue	\$ 47,530	\$ 45,375	\$ 50,540	\$ 63,315	\$ 48,474	\$ 30,626	\$ 27,265	\$ 24,601	
Net income	\$ 4,082	\$ 15,986	\$ 9,451	\$ 16,247	\$ 11,339	\$ 6,335	\$ 5,585	\$ 5,715	
Net income per share:									
Basic	0.08	0.33	0.20	0.34	0.25	0.16	0.14	0.14	
Diluted	0.08	0.32	0.19	0.32	0.24	0.15	0.13	0.14	

NuVista has seen significant growth in its production volumes over the prior eight quarter period. During the five quarters ended December 31, 2005, revenues and net income increased primarily due to higher production. Since December 31, 2005, production growth has not offset lower average realized commodity prices, resulting in lower revenues and net income. In the third quarter of 2006, revenues were slightly higher than the previous quarter as increased gas production more than offset the decrease in the price of natural gas. Net income in the third quarter of 2006 decreased compared to the second quarter of 2006 primarily due to lower natural gas prices in the third quarter of 2006 and future income tax reductions included in the second quarter results.

In April, 2005, a series of new accounting standards were released which established guidance for the recognition and measurement of financial instruments. These new standards include Section 1530 "Comprehensive Income", Section 3855 "Financial Instruments – Recognition and Measurements", and Section 3865 "Hedges". These standards are effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2006 and must be implemented simultaneously. NuVista has evaluated the standards for hedge accounting as outlined in Section 3865 "Hedges" and has determined that beginning January 1, 2007, NuVista will not use hedge accounting treatment for financial instruments related to its commodity hedges.

## **BUSINESS RISKS AND OUTLOOK**

NuVista's management remains committed to the same principles and disciplined growth strategy that has led to its considerable success over the past three years. NuVista continues to believe in the longer term outlook for higher natural gas prices but recognizes that in the short term, it will need to adapt to natural gas pricing uncertainty resulting from natural gas storage inventory levels and the demand for natural gas during this winter. Notwithstanding the weakness in natural gas prices, NuVista remains excited about its future. NuVista has its largest prospect inventory in its history and will continue to look for acquisition opportunities that meet its criteria.

NuVista has updated its guidance for 2006 based on its results for the nine months ended September 30, 2006 and the outlook for the remainder of the year. For 2006, NuVista plans to drill 160 wells and has slightly increased its capital program from \$190 million to \$195 million due to higher costs. NuVista currently anticipates an exit rate of 14,000 boe/d with the timing of tie-ins of behind pipe production and the allocated flow rate through third party facilities somewhat impacting this forecast.

For 2007, NuVista's Board of Directors have approved a preliminary budget based on the current futures market commodity prices. This budget will be re-evaluated later this year. NuVista's preliminary budget consists of a capital program of \$160 million with \$120 million directed to exploration and development activities and the remaining \$40 million directed to property acquisitions in existing core areas. The exploration and development program will result in the drilling of approximately 175 wells. This preliminary budget is expected to result in average production of 14,300 boe/d to 14,900 boe/d for 2007. NuVista will also look at strategic acquisition opportunities that meet our stringent criteria and would establish new core areas.

We remain committed to increasing shareholder value over the long-term and will continue with our core strategy of cost control and applying the expertise of our technical staff both through exploration and development activities and strategic acquisitions. During this period of natural gas price weakness and uncertainty, the Board of Directors and management will continue to prudently monitor NuVista's business plan and financial flexibility while looking for opportunities to enhance shareholder value.

### **On Behalf of the Board of Directors**



Alex G. Verge  
President and  
Chief Executive Officer

November 2, 2006  
Calgary, Alberta



Robert F. Froese  
Vice President, Finance and  
Chief Financial Officer

## Consolidated Balance Sheets

(thousands)

	September 30, 2006	December 31, 2005
(unaudited)		
<b>Assets</b>		
Current assets:		
Accounts receivable	\$ 17,506	\$ 18,844
Oil and natural gas properties and equipment	484,206	359,149
Goodwill	54,439	54,439
	\$ 556,151	\$ 432,432
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 27,494	\$ 18,223
Bank loan (note 2)	145,413	70,524
Asset retirement obligations (note 3)	18,984	14,790
Future income taxes	74,525	73,291
Shareholders' equity:		
Share capital (note 4)	193,839	189,831
Contributed surplus (note 4)	2,925	2,321
Retained earnings	92,971	63,452
	289,735	255,604
	\$ 556,151	\$ 432,432

## Consolidated Statements of Operations and Retained Earnings

(thousands, except per share amounts)

	Three Months ended September 30,		Nine Months ended September 30,	
	2006	2005	2006	2005
(unaudited)				
<b>Revenues:</b>				
Production	\$ 47,530	\$ 48,474	\$ 143,445	\$ 106,365
Royalties	(12,428)	(11,062)	(37,016)	(24,005)
	35,102	37,412	106,429	82,360
<b>Expenses:</b>				
Operating	6,011	4,470	17,574	11,585
Transportation	930	841	2,695	2,169
General and administrative	705	457	1,882	1,102
Interest	1,910	709	3,807	1,397
Stock-based compensation	897	543	2,030	1,127
Depreciation, depletion and accretion	18,118	12,001	47,688	27,243
	28,571	19,021	75,676	44,623
Income before income and other taxes	6,531	18,391	30,753	37,737
Income and other taxes	2,449	7,052	1,234	14,478
<b>Net income</b>	4,082	11,339	29,519	23,259
Retained earnings, beginning of period	88,889	35,866	63,452	23,946
<b>Retained earnings, end of period</b>	\$ 92,971	\$ 47,205	\$ 92,971	\$ 47,205
<b>Net income per share – basic</b>	\$ 0.08	\$ 0.25	\$ 0.61	\$ 0.55
<b>Net income per share – diluted</b>	\$ 0.08	\$ 0.24	\$ 0.59	\$ 0.53

See accompanying notes to the interim consolidated financial statements.

## Consolidated Statements of Cash Flows

(thousands)

Three Months ended September 30, 2006		Nine Months ended September 30, 2005	
------------------------------------------------	--	-----------------------------------------------	--

(unaudited)

### Cash provided by (used in):

#### Operating Activities:

Net income	\$	4,082	\$	11,339	\$	29,519	\$	23,259
Items not requiring cash from operations:								
Depreciation, depletion and accretion		18,118		12,001		47,688		27,243
Stock-based compensation		897		543		2,030		1,127
Future income taxes		2,451		6,816		1,234		13,994
Asset retirement expenditures		(623)		(161)		(940)		(233)
Decrease (increase) in non-cash working capital items		4,287		10,809		4,439		(2,836)
		29,212		41,347		83,970		62,554

#### Financing Activities:

Issue of share capital		449		97,582		2,582		97,661
Increase (decrease) in bank loan		(3,755)		31,802		74,889		64,537
		(3,306)		129,384		77,471		162,198

#### Investing Activities:

Property acquisition (note 1)		-		(150,716)		(81,700)		(150,716)
Oil and natural gas properties and equipment additions		(29,959)		(22,742)		(85,911)		(72,531)
Decrease (increase) in non-cash working capital items		4,053		2,727		6,170		(1,505)
		(25,906)		(170,731)		(161,441)		(224,752)

Change in cash		-		-		-		-
Cash, beginning of period		-		-		-		-
<b>Cash, end of period</b>	\$	-	\$	-	\$	-	\$	-

See accompanying notes to the interim consolidated financial statements.

# NUVISTA ENERGY LTD.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2006.

The unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), using the same accounting policies as those set out in note 1 to the consolidated financial statements for the years ended December 31, 2005 and 2004. The interim consolidated financial statements for the three and nine months ended September 30, 2006 should be read in conjunction with the consolidated financial statements for the years ended December 31, 2005 and 2004. Certain amounts have been reclassified to conform with the current period's presentation.

### 1. Acquisition of Saskatchewan properties:

On June 1, 2006, NuVista completed the acquisition of certain natural gas properties in northwest and west central Saskatchewan for a total purchase price of \$81.7 million. The purchase price has been estimated by management based on information available at that time. Two directors of NuVista are related parties of the vendor. NuVista purchased these properties through a series of transactions, with the assets being acquired in an existing partnership owned approximately 76% by NuVista and 24% by Bonavista Petroleum (see Note 6). The acquisition has been accounted for at the exchange amount, with results of operations included from the date of acquisition. The purchase equation, which reflects NuVista's portion of the acquisition, is as follows:

	Amount
(thousands)	
Net assets acquired:	
Oil and natural gas properties	\$ 84,202
Asset retirement obligations	(2,502)
<b>Net assets acquired</b>	<b>\$ 81,700</b>
Purchase consideration:	
Cash	81,700
<b>Total purchase consideration</b>	<b>\$ 81,700</b>

### 2. Bank loan:

On May 31, 2006, NuVista and its lenders agreed to amend the Company's bank loan facilities to increase the maximum borrowing to \$180 million. In addition, the revolving period of the facility has been extended to June 27, 2007, with a one year term period. Under the term period, no principal payments would be required until June 28, 2008. All other key terms and conditions of the bank loan facility remain unchanged from December 31, 2005.

### 3. Asset retirement obligations:

A reconciliation of the asset retirement obligations is provided below:

	Nine months ended September 30, 2006	Year ended December 31, 2005
(thousands)		
Balance, beginning of period	\$ 14,790	\$ 5,990
Accretion expense	987	767
Liabilities incurred	1,645	2,795
Liabilities acquired	2,502	4,271
Liabilities settled	(940)	(233)
Change in assumed inflation rate	-	1,200
<b>Balance, end of period</b>	<b>\$ 18,984</b>	<b>\$ 14,790</b>

#### 4. Share capital:

Authorized:

(a) Unlimited number of voting Common Shares and 1,200,000 Class B Performance Shares.

(b) Issued:

(i) Common Shares

	Number	Amount
(thousands)		
Balance as at December 31, 2005	48,360	\$ 189,825
Conversion of Class B Performance Shares	239	3
Exercise of stock options	405	2,639
Stock-based compensation	-	1,426
Reacquired and cancelled	(2)	(8)
Cost associated with shares issued	-	(49)
<b>Balance as at September 30, 2006</b>	<b>49,002</b>	<b>\$ 193,836</b>

(ii) Class B Performance Shares

	Number	Amount
(thousands)		
Balance as at December 31, 2005	560	\$ 6
Converted to Common Shares	(278)	(3)
Reacquired and cancelled	(11)	-
<b>Balance as at September 30, 2006</b>	<b>271</b>	<b>\$ 3</b>

(iii) Contributed Surplus

	Amount
(thousands)	
Balance as at December 31, 2005	\$ 2,321
Stock-based compensation	2,030
Exercise of stock options	(1,426)
<b>Balance as at September 30, 2006</b>	<b>\$ 2,925</b>

(c) Stock options and stock-based compensation:

For the nine months ended September 30, 2006, there were 1,686,700 options granted with an average exercise price of \$14.99/share and an estimated fair value of \$4.89/share. At September 30, 2006 there were 3,635,799 stock options outstanding, with an average exercise price of \$11.90/share.

The Company uses the fair value based method for the determination of the stock-based compensation costs. The fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model. In the pricing model, the risk free interest rate was 3.5%; volatility of 25%; a dividend rate of nil; and an expected life of 4.5 years.

## 5. Hedging activities:

### a) Financial instruments:

As at September 30, 2006, NuVista has hedged by way of costless collars the following crude oil:

Volume	Average Price	Term
250 bbls/d	CDN\$65.01 - CDN\$95.74 - WTI	October 1, 2006 – December 31, 2006
250 bbls/d	CDN\$51.74 - CDN\$68.80 - Bow River	October 1, 2006 – December 31, 2006
250 bbls/d	CDN\$76.14 - CDN\$100.19 - WTI	January 1, 2007 – March 31, 2007
250 bbls/d	CDN\$75.92 - CDN\$100.19 - WTI	April 1, 2007 – June 30, 2007
250 bbls/d	CDN\$75.25 - CDN\$100.19 - WTI	July 1, 2007 – September 30, 2007
250 bbls/d	CDN\$74.25 - CDN\$100.19 - WTI	October 1, 2007 – December 31, 2008
250 bbls/d	CDN\$71.86 - CDN\$99.77 - WTI	January 1, 2008 – March 31, 2008
250 bbls/d	CDN\$71.86 - CDN\$98.77 - WTI	April 1, 2008 – June 30, 2008

As at September 30, 2006, NuVista has hedged by way of costless collars the following gas contracts:

Volume	Average Price (Cdn \$/gj)	Term
5,000 gjs/d	\$ 8.25 - \$ 12.33 - AECO	October 1, 2006 – October 31, 2006
5,000 gjs/d	\$ 8.50 - \$ 12.25 - AECO	November 1, 2006 – March 31, 2007

As at September 30, 2006, the market value of these financial instruments was approximately \$3.0 million.

### b) Physical purchase contracts:

As at September 30, 2006, NuVista has entered into direct sale costless collars to sell natural gas as follows:

Volume	Average Price (Cdn \$/gj)	Term
15,000 gjs/d	\$ 7.50 - \$ 10.99 - AECO	October 1, 2006 – October 31, 2006
7,500 gjs/d	\$ 8.50 - \$ 11.37 - AECO	November 1, 2006 – March 31, 2007

## 6. Relationship with Bonavista Petroleum Ltd.:

Under the Plan of Arrangement with Bonavista, NuVista entered into a Technical Services Agreement ("TSA") with Bonavista. Under the TSA, Bonavista receives payment for certain technical and administrative services provided by it to NuVista on a cost recovery basis. NuVista and Bonavista are considered related as two directors of NuVista, one of whom is NuVista's chairman, are directors and officers of Bonavista and a director and an officer of NuVista are also officers of Bonavista. For the nine months ended September 30, 2006, fees of \$1.6 million (2005 - \$1.2 million) relating to general and administrative activities were charged pursuant to the TSA.

## 7. Supplemental information:

(thousands)	Nine months ended September 30,	
	2006	2005
Cash paid on interest	\$3,722	\$1,375
Cash paid on income and other taxes	\$409	\$306

## CORPORATE INFORMATION

### DIRECTORS

**Keith A. MacPhail,**

*Chairman*

**W. Peter Comber,**

*Barrantagh Investment Management Inc.*

**Pentti O. Karkkainen,**

*KERN Partners*

**Ronald J. Poelzer,**

*Bonavista Energy Trust*

**Alex G. Verge,**

*President and CEO*

**Clayton H. Woitas,**

*Range Royalty Management Ltd.*

**Grant A. Zawalsky,**

*Burnet, Duckworth & Palmer LLP*

### MANAGEMENT

**Keith A. MacPhail,**

*Chairman*

**Alex G. Verge,**

*President and CEO*

**Robert F. Froese,**

*Vice President, Finance and CFO*

**Steven J. Dalman,**

*Vice President, Engineering*

**D. Chris McDavid,**

*Vice President, Operations*

**Patrick Miles,**

*Vice President, Exploration*

**Gordon Timm,**

*Vice President, Land*

**Glenn A. Hamilton,**

*Corporate Secretary*

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### FOR FURTHER INFORMATION CONTACT:

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President and CEO  
(403) 538-8501

- or -

Robert F. Froese  
Vice President, Finance and CFO  
(403) 538-8530

### AUDITORS

*KPMG LLP*

*Chartered Accountants*

*Calgary, Alberta*

### BANKERS

*Canadian Imperial Bank of Commerce*

*Bank of Montreal*

*Royal Bank of Canada*

*Toronto-Dominion Bank*

*Calgary, Alberta*

### ENGINEERING CONSULTANTS

*GLJ Petroleum Consultants Ltd.*

*Calgary, Alberta*

### LEGAL COUNSEL

*Burnet, Duckworth & Palmer LLP*

*Calgary, Alberta*

### REGISTRAR AND TRANSFER AGENT

*Valiant Trust Company*

*Calgary, Alberta*

### STOCK EXCHANGE LISTING

*Toronto Stock Exchange*

*Trading Symbol "NVA"*