



# THIRD INTERIM REPORT 2007

Press Release November 1, 2007

Calgary – NuVista Energy Ltd. is pleased to announce its financial and operating results for the three and nine months ended September 30, 2007 as follows:

## Corporate Highlights

	Three months ended			Nine months Ended		
	September 30, 2007	2006	% Change	September 30, 2007	2006	% Change
<b>Financial</b>						
(\$ thousands, except per share)						
Production revenue	48,166	47,530	1	158,623	143,445	11
Funds from operations <sup>(1)</sup>	25,697	25,548	1	83,923	80,471	4
Per share – basic	0.49	0.52	(6)	1.65	1.65	-
Per share – diluted	0.49	0.51	(4)	1.62	1.61	-
Net earnings	754	4,082	(82)	15,264	29,519	(48)
Per share – basic	0.01	0.08	(88)	0.30	0.61	(51)
Per share – diluted	0.01	0.08	(88)	0.29	0.59	(51)
Total assets				651,158	556,151	17
Long-term debt, net of working capital				160,149	155,401	3
Shareholders' equity				356,894	289,735	23
Net capital expenditures	27,379	29,959	(9)	120,199	167,611	(28)
Weighted average common shares outstanding (thousands):						
Basic	52,397	48,981	7	50,960	48,639	5
Diluted	52,806	49,887	6	51,663	49,869	4
<b>Operating</b>						
(boe conversion – 6:1 basis)						
Production:						
Natural gas (mmcf/d)	64.9	62.3	4	70.0	56.9	18
Oil and liquids (bbls/d)	2,777	2,180	27	2,549	2,253	13
Total oil equivalent (boe/d)	13,590	12,557	8	13,716	11,743	17
Product prices: <sup>(2)</sup>						
Natural gas (\$/mcf)	5.99	6.32	(5)	6.93	7.17	(3)
Oil and liquids (\$/bbl)	55.32	56.46	(2)	52.28	52.03	-
Operating expenses:						
Natural gas (\$/mcf)	1.12	0.78	44	1.09	0.80	36
Oil and liquids (\$/bbl)	8.86	7.61	16	10.45	8.28	26
Total oil equivalent (\$/boe)	7.15	5.20	38	7.27	5.48	33
General and administrative expenses (\$/boe)	1.05	0.61	72	0.97	0.59	64
Funds from operations netback (\$/boe) <sup>(1)</sup>	20.55	22.12	(7)	22.41	25.10	(10)

### NOTES:

- (1) Funds from operations, funds from operations per share and funds from operations netback 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, realized commodity derivative gains/losses, transportation, general and administrative costs, interest and cash taxes calculated on a boe basis. Total boe is calculated by multiplying the daily production by the number of days in the period.
- (2) Product prices include realized gains/losses on commodity derivatives.

## 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, 2007. With the operational challenges of the third quarter behind us, new production coming on stream and the successful execution of five minor "tuck-in" acquisitions, we expect that our fourth quarter business plan will result in record production levels. NuVista's management and Board of Directors are pleased how NuVista has positioned itself to continue to grow profitably in the upcoming months during a period with volatile commodity prices and changing landscapes within the Canadian oil and gas industry.

NuVista experienced unusually high levels of downtime during the third quarter, however NuVista's current production rates have returned to second quarter levels of approximately 14,150 boe/d. During the third quarter, NuVista's exploration and development program moved forward without impediment. We drilled 37 wells and tied-in 26 wells, bringing on approximately 1,050 boe/d of new production, with additional volumes coming on in the fourth quarter. With the expansion of our Fir facility in our Central Alberta core area scheduled for completion in late November; production additions from three new wells at Fir; and the anticipated closing of three small acquisitions, NuVista is well positioned to achieve our exit production rate targets for 2007.

In addition to our ongoing exploration and development program, NuVista was successful on five small acquisitions totaling approximately \$16 million, two closing by the end of the third quarter and the remaining three expected to close during the fourth quarter. These transactions are located in our Central Alberta, West Central Saskatchewan, and Oyen core areas. Typical of these acquisitions, they are synergistic to our existing lands and infrastructure and contained minor amounts of stranded natural gas. NuVista plans to drill on four of the acquired properties prior to spring break-up in 2008. The return of the "tuck-in" transaction is significant to NuVista, because they have been an integral component of our "acquire and develop" business model over the years and allow NuVista to focus on an expanded acquisition model for the remainder of 2007 and into 2008. After giving consideration to these acquisitions, NuVista's Board of Directors has approved an expansion of our 2007 capital budget to \$170 million which will result in an increase in forecast exit production rates to a range of 14,700 boe/d - 15,000 boe/d.

NuVista's balance sheet remains strong with a ratio of debt to annualized funds from operations of 1.6:1 at the end of the third quarter. In addition, we have price risk management contracts in place for approximately 40% of our October net natural gas production at a floor price of \$7.38/gj and approximately 20% of our November 2007 to March 2008 net natural gas production at a floor price of \$8.13/gj.

Significant highlights for NuVista in the third quarter of 2007 include:

- Invested \$22.6 million in exploration and development activities which resulted in 37 (29.9 net) wells, and an overall success rate of 86%;
- NuVista has entered into agreements for five complementary property acquisitions. These five acquisitions will add approximately 400 boe/d of production by the middle of the fourth quarter. Two of these acquisitions, totaling \$4.8 million, closed in the third quarter;
- Tied-in 26 new wells in the quarter adding approximately 1,050 boe/d of new production with additional production still to come on in the fourth quarter; and
- Continued our focus on managing operating cost increases. Excluding power costs which trended higher in the third quarter due to high July electricity prices, operating costs were actually lower on a boe basis in the third quarter compared to the second quarter.

Despite the recent decline in natural gas prices, we continue to believe in the longer term favourable outlook for natural gas prices due to the improving supply and demand fundamentals and the relative valuation of natural gas as compared to crude oil. The return to a favourable acquisition environment for smaller acquisitions has led NuVista's Board of Directors to approve a modest expansion of our 2007 capital program to \$170 million. The revised program will see NuVista increasing its spending on acquisitions from \$35 million to \$51 million and participating in approximately 135 exploration and development wells. NuVista operates over 90% of the wells we drill and with a high working interest, we control the pace of our development. We will continue to maintain our aggressive pace of approving and licensing new locations in preparation for our 2008 capital program. NuVista has identified over 115 firm drilling locations and is continuing to add approximately 15 new prospects per month, which is building a strong and healthy future inventory for continued profitable growth.

On October 25, 2007, the Government of Alberta announced significant changes to conventional oil and gas royalties with new royalties being applied effective January 1, 2009. NuVista has conducted a review of our assets using the royalty information currently available and has determined the impact of the changes to be minimal based on current natural gas prices. GLJ Petroleum Consultants Ltd., our third party engineering firm, has recalculated our January 1, 2007 reserves with their October 1, 2007 escalated price forecast under both the existing and new royalty rates. The impact of the change to royalties on the net present value of our proved and probable reserves, discounted at 10%, was slightly positive by approximately one percent.

Mr. Rob Froese our Vice President, Finance & CFO has announced that he intends to leave the company in the coming months to pursue other interests outside of the oil and gas industry. Rob joined NuVista approximately 20 months ago, at a critical time in the development of our finance team. Over this period Rob assembled a talented and motivated finance team at NuVista that prepared us for the termination of the Technical Services Agreement with Bonavista. Rob will remain with NuVista for the next few months to ensure a smooth transition. We thank Rob for his significant contributions to NuVista and wish him well in his future endeavours.

## 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, 2007 and the audited consolidated financial statements and MD&A for the years ended December 31, 2006 and 2005. The following MD&A of financial condition and results of operations was prepared at, and is dated November 1, 2007. 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), and other corporate documentation can be obtained from our website at [www.nuvistaenergy.com](http://www.nuvistaenergy.com).

**Basis of Presentation** – *The financial data presented below has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). 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 the effect on NuVista of royalty rate changes in Alberta, future plans and operations, number, type and timing of wells to be drilled, tested and completed, timing of tie in of wells and commencement of production from new wells and production therefrom, the plan and development of certain prospects, and production estimates may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, changes in royalty and tax legislation, competition from other producers, inability to retain drilling rigs and other services, capital expenditure costs, including drilling, completion and facilities costs, unexpected decline rates in wells, surface conditions may delay projects and/or operations, wells not performing as expected, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could effect NuVista's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)) and at NuVista's website ([www.nuvistaenergy.com](http://www.nuvistaenergy.com)). Furthermore, the forward-looking statements contained in this document are made as at the date of this document and NuVista does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.*

**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 to analyze operating performance and leverage. Funds from operations as presented does 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 earnings 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. Funds from operations netback equals the total of revenues less royalties, realized commodity derivative gains/losses, transportation, general and administrative costs, interest and cash taxes calculated on a boe basis. Total boe is calculated by multiplying the daily production by the number of days in the period. Management uses these terms to analyze operating performance and leverage.*

A reconciliation of funds from operations is presented in the following table:

(\$ thousands)	For the three months ended September 30,		For the nine months ended September 30,	
	2007	2006	2007	2006
Cash provided by operating activities	\$ 37,277	\$ 29,212	\$ 76,756	\$ 83,970
Add back:				
Asset retirement expenditures	337	623	802	940
Change in non-cash working capital	(11,917)	(4,287)	6,366	(4,439)
<b>Funds from operations</b>	<b>\$ 25,697</b>	<b>\$ 25,548</b>	<b>\$ 83,924</b>	<b>\$ 80,471</b>

**Operating activities** – During the third quarter of 2007, NuVista participated in 37 (29.9 net) wells and operated 36 of these wells. Sixteen wells were drilled in the Eastern core area, 13 wells in the West Central Saskatchewan core area and six wells in the Provost core area during the quarter. The success rate of 86% in this drilling program resulted in 22 natural gas wells and 10 oil wells. For the nine months ended September 30, 2007, NuVista drilled 103 (79.4 net) wells resulting in 56 natural gas wells and 32 oil wells. NuVista has 25 to 30 wells planned for the fourth quarter, primarily in the Oyen, Provost and West Central Saskatchewan core areas.

### Production

	For the three months ended September 30,		
	2007	2006	% Change
Natural gas (mcf/d)	64,877	62,257	4
Oil and liquids (bbls/d)	2,777	2,180	27
Total oil equivalent (boe/d)	13,590	12,557	8

	For the nine months ended September 30,		
	2007	2006	% Change
Natural gas (mcf/d)	66,999	56,943	18
Oil and liquids (bbls/d)	2,549	2,253	13
Total oil equivalent (boe/d)	13,716	11,743	17

For the third quarter of 2007, NuVista's average production was 13,590 boe/d, comprised of 64.9 mmcf/d of natural gas and 2,777 bbls/d of oil and liquids, which represents an 8% increase over the same period in 2006. Production for the three months ended September 30, 2007 was 4% lower than the second quarter of 2007 due to both scheduled and unscheduled plant turnarounds. For the nine months ended September 30, 2007, production averaged 13,716 boe/d compared to 11,743 boe/d during the same period in 2006. The increase in production for the nine months ended September 30, 2007 relates primarily to the property acquisition in our Central Alberta core area in April and production additions from drilling activities.

### Revenues

	For the three months ended September 30,					
	2007		2006		% Change	
	\$ thousands	\$/mcf	\$ thousands	\$/mcf	\$	\$/mcf
<b>Natural gas:</b>						
Production revenue	34,174	5.73	36,204	6.32	(6)	(9)
Realized gains on commodity derivatives	1,575	0.26	-	-	-	-
Total	35,749	5.99	36,204	6.32	(1)	(5)

	For the three months ended September 30,					
	2007		2006		% Change	
	\$ thousands	\$/bbl	\$ thousands	\$/bbl	\$	\$/bbl
<b>Oil and liquids:</b>						
Production revenue	13,992	54.76	11,326	56.46	24	(3)
Realized gains on commodity derivatives	142	0.56	-	-	-	-
Total	14,134	55.32	11,326	56.46	25	(2)

	For the nine months ended September 30,					
	2007		2006		% Change	
	\$ thousands	\$/mcf	\$ thousands	\$/mcf	\$	\$/mcf
<b>Natural gas:</b>						
Production revenue	122,629	6.70	111,446	7.17	10	(7)
Realized gains on commodity derivatives	4,116	0.23	-	-	-	-
Total	126,745	6.93	111,446	7.17	14	(3)

	For the nine months ended September 30,					
	2007		2006		% Change	
	\$ thousands	\$/bbl	\$ thousands	\$/bbl	\$	\$/bbl
<b>Oil and liquids:</b>						
Production revenue	35,994	51.72	31,999	52.03	12	(1)
Realized gains on commodity derivatives	395	0.56	-	-	-	-
Total	36,389	52.28	31,999	52.03	14	-

Revenues, including realized gains on commodity derivatives, for the three months ended September 30, 2007 were \$49.8 million, a 5% increase from \$47.5 million for the three months ended September 30, 2006. This increase is due to an 8% increase in production volumes offset by lower product prices. Natural gas prices decreased 5% and oil and liquid prices decreased 2% compared to the same period in 2006. Revenues were comprised of \$35.7 million of natural gas revenues and \$14.1 million of oil and liquids revenues. For the nine months ended September 30, 2007, revenues including realized gains on commodity derivatives, were \$163.1 million, an increase of 14% compared to the same period in 2006. This increase in revenues was due to a 17% increase in production volumes offset by lower natural gas prices.

### Commodity price risk management

	For the three months ended September 30, 2007		
	Realized gain	Unrealized gain/(loss)	Total gains
(\$ thousands)			
Natural gas	1,575	(1,241)	334
Oil and liquids	142	408	550
Total gains	1,717	(833)	884

	For the nine months ended September 30, 2007		
	Realized Gain	Unrealized gain	Total gains
(\$ thousands)			
Natural gas	4,116	1,181	5,297
Oil and liquids	395	1,393	1,788
Total gains	4,511	2,574	7,085

As part of our financial management strategy, NuVista has adopted a disciplined commodity price risk management program. The purpose of the price risk management program is to reduce volatility in the financial results, protect acquisition economics and stabilize cash flow against the unpredictable commodity price environment. NuVista's Board of Directors has approved a price risk management program with a 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 some participation in commodity price increases. For the three months ended September 30, 2007, the financial price risk management program resulted in a gain of \$884,000 consisting of realized gains of \$1.7 million and unrealized losses of \$833,000. The realized gain in this period consisted of a \$1.6 million gain on natural gas financial risk management contracts and a gain of \$142,000 on crude oil financial risk management contracts. In addition, we had physical natural gas prices risk management contracts that resulted in a gain of approximately \$887,000.

For the nine months ended September 30, 2007, the financial price risk management program resulted in a gain of \$7.1 million, \$4.5 million realized and \$2.6 million unrealized. Physical natural gas price risk management contracts in place for this period resulted in a gain of approximately \$2.2 million.

Prior to January 1, 2007, we accounted for our financial price risk management contracts as hedges and included realized gains and losses as production revenues. For the three and nine month periods ending September 30, 2006, hedging gains were \$3.6 million and \$8.4 million, respectively.

A summary of commodity price risk management contracts in place as at September 30, 2007 is included in note 6 of the interim consolidated financial statements for the nine months ended September 30, 2007. Subsequent to September 30, 2007, NuVista entered into the following commodity price risk contracts:

Volume	Average Price (\$/bbl)	Term
500 bbls/d	CDN\$70.00 - CDN\$90.00 – WTI	January 1, 2008 – March 31, 2008
500 bbls/d	CDN\$70.00 - CDN\$87.15 – WTI	April 1, 2008 – June 30, 2008
500 bbls/d	CDN\$70.00 - CDN\$85.00 – WTI	July 1, 2008 – September 30, 2008
500 bbls/d	CDN\$70.00 - CDN\$85.00 – WTI	October 1, 2008 – December 31, 2008

### **Royalties**

	For the three months ended September 30,		For the nine months ended September 30,	
	2007	2006	2007	2006
<b>Royalty rates (%)</b>				
Natural gas	23	30	26	29
Oil and liquids	14	13	15	14
Weighted average rate	21	26	24	26

Royalties for the three months ended September 30, 2007 were \$10.3 million, as compared to \$12.4 million reported for the three months ended September 30, 2006. This decrease in royalties was primarily due to lower natural gas revenues. Royalties for the nine months ended September 30, 2007 were \$38 million, as compared to \$37 million reported for the nine months ended September 30, 2006. This increase in royalties results from higher revenues in nine months ended September 30, 2007 compared to the same period in 2006. As a percentage of revenues, the average royalty rate for the third quarter of 2007 was 21% compared to 26% for the same period of 2006. Royalty rates by product for the third quarter of 2007 were 23% for natural gas and 14% for oil and liquids compared to 30% for natural gas and 13% for oil and liquids for the same period in 2006. The decrease in natural gas royalty rates is primarily due to gains on price risk management contracts that are not included in the calculation of royalties. The natural gas royalty rate before price risk management activities was 27%.

For the nine months ended September 30, 2007, the average royalty rate as a percentage of revenue was 24% compared to 26% for the same period in 2006. Royalty rates by product were 26% for natural gas and 15% for oil and liquids compared to 29% for natural gas and 14% for oil and liquids for the same period in 2006. The decrease in the average natural gas royalty rates for the nine month period ending September 30, 2007, compared to the same period in 2006, results primarily from impact of gains on price risk management contracts and crown royalty credits received in the second quarter of 2007.

**Netbacks** – The tables below summarize funds from operations netbacks for the three months ended September 30, 2007, compared to the three months ended September 30, 2006, and the nine months ended September 30, 2007, compared to the nine months ended September 30, 2006.

(\$ thousands)	For the three months ended September 30,					
	2007		2006		% Change	
	\$	\$/boe	\$	\$/boe	\$	\$/boe
Production revenues	48,166	38.54	47,530	41.14	1	(6)
Realized gains on commodity derivatives	1,717	1.37	-	-	-	-
	49,883	39.91	47,530	41.14	5	(3)
Royalties	(10,258)	(8.21)	(12,428)	(10.76)	(17)	(24)
Transportation costs	(1,138)	(0.91)	(930)	(0.81)	(22)	12
Operating costs	(8,934)	(7.15)	(6,011)	(5.20)	49	38
<b>Field netbacks</b>	<b>29,553</b>	<b>23.64</b>	<b>28,161</b>	<b>24.37</b>	<b>5</b>	<b>(3)</b>
General and administrative	(1,312)	(1.05)	(705)	(0.61)	86	72
Interest	(2,544)	(2.04)	(1,910)	(1.64)	33	24
Cash taxes	-	-	2	-	-	-
<b>Funds from operations netbacks</b>	<b>25,697</b>	<b>20.55</b>	<b>25,548</b>	<b>22.12</b>	<b>1</b>	<b>(7)</b>

(\$ thousands)	For the nine months ended September 30,					
	2007		2006		% Change	
	\$	\$/boe	\$	\$/boe	\$	\$/boe
Production revenues	158,623	42.36	143,445	44.74	11	(5)
Realized gains on commodity derivatives	4,511	1.20	-	-	-	-
	163,134	43.56	143,445	44.74	14	(3)
Royalties	(37,999)	(10.15)	(37,016)	(11.55)	3	12
Transportation costs	(3,200)	(0.85)	(2,695)	(0.84)	19	1
Operating costs	(27,233)	(7.27)	(17,574)	(5.48)	55	33
<b>Field netbacks</b>	<b>94,702</b>	<b>25.29</b>	<b>86,160</b>	<b>26.87</b>	<b>10</b>	<b>(6)</b>
General and administrative	(3,635)	(0.97)	(1,882)	(0.59)	93	64
Interest	7,143	(1.91)	(3,807)	(1.18)	88	62
Cash taxes	-	-	-	-	-	-
<b>Funds from operations netbacks</b>	<b>83,924</b>	<b>22.41</b>	<b>80,471</b>	<b>25.10</b>	<b>4</b>	<b>(11)</b>

**Transportation** – Transportation costs were \$1.1 million (\$0.91/boe) for the three months ended September 30, 2007, as compared to \$930,000 (\$0.81/boe) for the same period of 2006. Transportation costs were \$3.2 million (\$0.85/boe) for the nine months ended September 30, 2007, compared to \$2.7 million (\$0.84/boe) for the same period in 2006. The increase in transportation costs in 2007 compared to 2006 is primarily due to the 17% increase in production volumes.

**Operating** – Operating expenses were \$8.9 million (\$7.15/boe) for the three months ended September 30, 2007 as compared to \$6.0 million (\$5.20/boe) for the three months ended September 30, 2006. This increase resulted from the 8% increase in production volumes and a 38% increase in per unit costs. For the three months ended September 30, 2007, natural gas operating costs averaged \$1.12/mcf and oil and liquids operating expenses were \$8.86/bbl as compared to \$0.78/mcf and \$7.61/bbl respectively, for the same period in 2006. The increase in per unit costs was primarily due to increasing cost pressures facing NuVista and the entire industry and third-party natural gas processing fees. During the first quarter of 2007, NuVista began implementing cost reduction initiatives, in particular with respect to heavy oil at our Auburndale property, with a target operating cost of \$7.00/boe. Operating costs have decreased from \$7.64/boe in the first quarter of 2007 to \$7.15/boe in the third quarter of 2007. Oil operating costs have decreased from \$14.46/bbl in the first quarter of 2007 to \$8.86/bbl in the third quarter of 2007 primarily due to cost reduction initiatives and higher volumes at our Auburndale property.

Operating costs for the three months ended September 30, 2007 include higher electricity costs during the period, resulting in an increase in operating costs of \$0.21/boe compared to the second quarter of 2007.

Operating expenses were \$27.2 million (\$7.27/boe) for the nine months ended September 30, 2007, as compared to \$17.6 million (\$5.48/boe) for the nine months ended September 30, 2006. This increase resulted from the 17% increase in production volumes and a 33% increase in per unit costs. For the nine months ended September 30, 2007 natural gas operating expenses averaged \$1.09/mcf and oil and liquids operating expenses were \$10.45/bbl as compared to \$0.80/mcf and \$8.28/bbl respectively, for the same period of 2006. These increases were primarily due to increasing cost pressures facing NuVista and the entire industry.

**General and administrative** – General and administrative expenses, net of overhead recoveries, for the three months ended September 30, 2007 were \$1.3 million (\$1.05/boe) compared to \$705,000 (\$0.61/boe) in the same period of 2006. General and administrative expenses, net of overhead recoveries, for the nine months ended September 30, 2007 were \$3.6 million (\$0.97/boe) as compared to \$1.9 million (\$0.59/boe) for the nine months ended September 30, 2006. This increase in general and administrative expenses is directly attributable to the higher production base in NuVista, increased staffing levels associated with less reliance on the Technical Services Agreement with Bonavista Petroleum Ltd. (“Bonavista”) and higher costs being experienced throughout the energy industry. For the three months ended September 30, 2007, Bonavista’s net charge to NuVista was \$22,000 for general and administrative services, compared to \$1.0 million in the same period in 2006. For the nine months ended September 30, 2007, Bonavista’s net charge to NuVista was \$32,000 for general and administrative services, compared to \$1.6 million in the same period in 2006.

**Stock-based compensation** - NuVista recorded a stock-based compensation charge of \$763,000 for the three month period ended September 30, 2007 compared to \$897,000 for the same period in 2006, relating to both stock options and Class B Performance Shares. This decrease is primarily due to the completion of the amortization of stock-based compensation relating stock options and Class B Performance Shares issued upon commencement of operations in July 2003. For the nine month period ended September 30, 2007, NuVista recorded a stock-based compensation charge, relating to both stock options and Class B Performance Shares, of \$2.2 million compared to \$2.0 million for the same period in 2006. The increase in stock-based compensation for the first nine months of 2007 as compared to the same period in 2006, is primarily due to an increase in the number of stock options associated with the hiring of new employees.

**Interest** – For the three months ended September 30, 2007, interest expense was \$2.5 million as compared to \$1.9 million in the same period of 2006. For the nine months ended September 30, 2007, interest expense was \$7.1 million compared to \$3.8 million in the same period of 2006. Higher interest costs are due to higher average debt levels and higher average interest rates. Currently, our average borrowing rate is approximately 5.7%.

**Depreciation, depletion and accretion** – Depreciation, depletion and accretion expenses were \$22.6 million for the third quarter of 2007 as compared to \$18.1 million for the same period in 2006. The average per unit cost was \$18.10/boe in the third quarter of 2007 as compared to \$15.68/boe for the same period in 2006. Depreciation, depletion and accretion expenses for the nine months ended September 30, 2007 were \$64.2 million as compared to \$47.7 million for the same period in 2006. The average per unit cost was \$17.13/boe as compared to \$14.87/boe in the same period in 2006. The increase in the depreciation, depletion and accretion expenses for the three months and nine months ended September 30, 2007 when compared to the same periods in 2006 was due to higher production volumes and also reflects an increase in per unit costs. Per unit costs have increased in 2007 due to the higher costs associated with property acquisitions completed in June 2006 and April 2007 and higher exploration and development costs.

**Income and other taxes** – For the three months ended September 30, 2007, the provision for income and other taxes was \$714,000 compared to \$2.4 million for the same period in 2006. For the nine months ended September 30, 2007, the provision for income and other taxes was \$4.9 million compared to \$1.2 million in the same period of 2006. The provision for income and other taxes for the nine months ended September 30, 2007 include a reduction of \$2.3 million related to legislated reductions in income tax rates, enacted in the second quarter of 2007. The provision for income and other taxes for the nine months ended September 30, 2006, include a \$9.7 million reduction relating to legislative reductions to income and capital tax rates enacted in the second quarter of 2006. Excluding the impact of reductions relating to the recognition of reductions in tax rates, the effective tax rate was 36% for both the nine months ended September 30, 2007 and the same period of 2006.



<b>Capital expenditures</b> (\$ thousands)	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Exploration and development				
Land and retention costs	\$ 718	\$ 2,434	\$ 3,834	\$ 12,947
Seismic	1,192	2,617	8,651	8,824
Drilling and completion	13,046	16,707	43,565	42,636
Facilities and equipment	7,498	8,148	23,430	21,400
Corporate and other	121	53	859	104
Subtotal	<u>22,575</u>	<u>29,959</u>	<u>80,339</u>	<u>85,911</u>
Acquisitions				
Business	-	-	35,056	81,700
Property	4,804	-	4,804	-
Subtotal	<u>4,804</u>	<u>-</u>	<u>39,860</u>	<u>81,700</u>
<b>Total capital expenditures</b>	<b>\$ 27,379</b>	<b>\$ 29,959</b>	<b>\$ 120,199</b>	<b>\$ 167,611</b>

Capital expenditures were \$27.4 million for the third quarter of 2007, consisting of \$22.6 million of exploration and development expenses and two property acquisitions totaling \$4.8 million. This compares to \$30.0 million for exploration and development during the third quarter of 2006. Capital expenditures for the nine months ended September 30, 2007 were \$120.2 million, consisting of \$80.3 million for exploration and development spending and \$39.9 million for the acquisitions. This compares to \$167.6 million incurred for the same period of 2006, consisting of exploration and development spending of \$85.9 million and a business acquisition of \$81.7 million.

**Funds from operations and net earnings** – For the three months ended September 30, 2007, funds from operations were \$25.7 million (\$0.49/share, basic), a 1% increase over the \$25.5 million (\$0.52/share, basic) for the same period in 2006. For the nine months ended September 30, 2007, NuVista's funds from operations was \$83.9 million (\$1.65/share, basic), a 4% increase from \$80.5 million (\$1.65/share, basic) for the nine months ended September 30, 2006. Net earnings decreased during the third quarter of 2007 to \$754,000 (\$0.01/share, basic) from \$4.1 million (\$0.08/share, basic) for the same period in 2006. For the nine months ended September 30, 2007, net earnings were \$15.3 million (\$0.30/share, basic) compared to \$29.5 million (\$0.61/share, basic) for the same period in 2006. The increase in funds from operations in both the three and nine months ended September 30, 2007 compared to the same period in 2006 was primarily due to higher production volumes and associated revenues, offset by higher costs. The decrease in net earnings for the three months ended September 30, 2007 compared to the same periods in 2006 was primarily due to higher depletion, depreciation and accretion costs. For the nine months ended September 2007 compared to the same period in 2006, net earnings decreased due higher depletion, depreciation and accretion costs and lower income and other tax reductions.

**Liquidity and capital resources** – As at September 30, 2007, bank debt (including working capital) was \$160.1 million with \$59.9 million of unused bank borrowing capability based on the current credit facility of \$220 million. At September 30, 2007, our ratio of debt to annualized third quarter funds from operations was 1.6:1. Our undrawn bank lines and cash flow from operations provide NuVista with substantial flexibility to fund its planned capital programs. As at November 1, 2007, there were 52,596,105 common shares outstanding. In addition, there were 4,082,425 stock options outstanding, with an average exercise price of \$13.29/share. All remaining Class B Performance Shares were converted into 230,748 common shares on July 1, 2007.

**Quarterly financial information** – The following table highlights NuVista’s performance for the eight quarterly reporting periods from December 31, 2005 to September 30, 2007:

	2007			2006			2005	
	September 30	June 30	March 31	December 31	September 30	June 30	March 31	December 31
Production (boe/d)	13,590	14,147	13,409	12,612	12,577	11,357	11,303	11,031
(\$ thousands, except per share amounts)								
Production revenue	\$ 48,166	\$ 56,832	\$ 53,626	\$ 49,195	\$ 47,530	\$ 45,375	\$ 50,540	\$ 63,315
Net earnings	\$ 754	\$ 9,678	\$ 4,832	\$ 5,765	\$ 4,082	\$ 15,986	\$ 9,451	\$ 16,247
Net earnings per share:								
Basic	0.01	0.19	0.10	0.12	0.08	0.33	0.20	0.34
Diluted	0.01	0.18	0.10	0.12	0.08	0.32	0.19	0.32

NuVista has seen growth in quarterly production volumes over the prior eight quarters except for a 4% decline in the most recent quarter. This decline was primarily due to plant turnarounds that occur during the summer months. Over the prior eight quarters, quarterly revenue was highest for the quarter ended December 31, 2005 at \$63.3 million and since then has been in a range of \$46 million to \$57 million as higher production volumes have not offset lower natural gas prices. Net earnings have generally trended lower due to lower revenues and higher costs. Net earnings in the second quarter of 2007 included a reduction in income and other taxes of \$2.3 million and net earnings in the second quarter of 2006 included a reduction in income and other taxes of \$9.7 million.

**Update on financial reporting matters**

- a) Effective January 1, 2007, NuVista adopted the Canadian Institute of Chartered Accountants (“CICA”) section 3855, “Financial Instruments – Recognition and Measurement,” section 3865, “Hedges,” section 1530, “Comprehensive Income, and section 3861, “Financial Instruments – Disclosure and Presentation.” These standards have been adopted prospectively. See note 1 to the consolidated financial statements.
- b) NuVista’s President and Chief Executive Officer (“CEO”) and Vice President, Finance and Chief Financial Officer (“CFO”) are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting as defined in Multilateral Instrument 52-109. NuVista’s CEO and CFO have designed disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that information to be disclosed by NuVista is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. The CEO and CFO have also designed internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. During the quarter ended September 30, 2007, there have been no changes to NuVista’s internal controls over financial reporting that have materially, or are reasonably likely to, materially affect the internal controls over financial reporting.

Because of their inherent limitations, disclosure controls and procedures and internal controls over financial reporting may not prevent or detect misstatements, error or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute assurance, that the objectives of the control system are met.

## BUSINESS RISKS

The Federal Government released on April 26, 2007, its Action Plan to Reduce Greenhouse Gases and Air Pollution (the "Action Plan"), also known as ecoACTION and which includes the Regulatory Framework for Air Emissions. This Action Plan covers not only large industry, but regulates the fuel efficiency of vehicles and the strengthening of energy standards for a number of energy-using products. Regarding large industry and industry related projects, the Government's Action Plan intends to achieve the following: (i) an absolute reduction of 150 megatonnes in greenhouse gas emissions by 2020 by imposing mandatory targets; and (ii) air pollution from industry is to be cut in half by 2015 by setting certain targets. New facilities using cleaner fuels and technologies will have a grace period of three years. In order to facilitate companies' compliance with the Action Plan's requirements, while at the same time allowing them to be cost-effective, innovative and adopt cleaner technologies, certain options are provided. These are: (i) in-house reductions; (ii) contributions to technology funds; (iii) trading of emissions with below-target emission companies; (iv) offsets; and (v) access to Kyoto's Clean Development Mechanism.

On March 8, 2007, the Alberta Government introduced Bill 3, the *Climate Change and Emissions Management Amendment Act*, which intends to reduce greenhouse gas emission intensity from large industries. Bill 3 states that facilities emitting more than 100,000 tonnes of greenhouse gases a year must reduce their emissions intensity by 12% starting July 1, 2007; if such reduction is not initially possible the companies owning the large emitting facilities will be required to pay \$15 per tonne for every tonne above the 12% target. These payments will be deposited into an Alberta-based technology fund that will be used to develop infrastructure to reduce emissions or to support research into innovative climate change solutions. As an alternate option, large emitters can invest in projects outside of their operations that reduce or offset emissions on their behalf, provided that these projects are based in Alberta. Prior to investing, the offset reductions offered by a prospective operation must be verified by a third party to ensure that the emission reductions are real.

Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact of those requirements on NuVista and its operations and financial condition. Bill 3 does not currently have an impact on NuVista as we do not own any facilities emitting in excess of 100,000 tonnes per year.

On October 25, 2007, the Government of Alberta released its much anticipated New Royalty Framework ("NRF"). The NRF was the government's response to a report issued September 18, 2007 by the Alberta Royalty Review Panel ("ARRP"), which was commissioned by the Government of Alberta to perform a review of the province's royalty system to, in their words, ensure that the people of Alberta were receiving their "Fair Share" for the resources being extracted by the oil and gas industry. The full NRF is available at [www.energy.gov.ab.ca](http://www.energy.gov.ab.ca). NuVista has reviewed the modifications proposed by the Government of Alberta to its royalty program to take effect on January 1, 2009. While more detailed analysis is ongoing, we wish to make the following observations:

- We have conducted a review of our assets using the NRF information currently available and have determined the impact of the changes on the net present value of our reserves to be minimal based on current natural gas prices;
- Currently 34% of our production is from properties located in Saskatchewan and therefore is not affected by the NRF;
- Royalties determined under the NRF will be determined based on commodity prices, well productivity and depths of wells. A significant portion of our wells are lower productivity wells that on a relative basis are less significantly impacted by the NRF than higher productivity wells;
- The NRF will have a more significant impact on the economics of medium depth drilling prospects in our Central Alberta core area;
- Approximately 80% of our production, on a boe basis, is natural gas. At current natural gas prices the impact of the NRF on cash flow is minimal. As natural gas prices increase, our royalty rates will increase but primarily at the lower rates associated with lower productivity wells;
- GLJ Petroleum Consultants Ltd., our third party engineering firm, has recalculated our January 1, 2007 reserves with their October 1, 2007 escalated price forecast under both the existing and new royalty rates. The impact of the change in royalty rates on the net present value of our proved and probable reserves, discounted at 10%, was slightly positive but less than one percent; and
- At current gas prices, we do not expect the NRF to have a significant impact on our strategy and business plan.

## OUTLOOK

NuVista's management remains committed to the same disciplined growth strategy that has rewarded us over the past four years. With our high working interest undeveloped land base of approximately 600,000 net acres, an extensive prospect inventory and strong balance sheet, NuVista is well positioned to continue posting strong operational and financial results for the remainder of 2007 and beyond. In addition to our successful exploration and development program, acquisition metrics for both corporate and property acquisitions are improving. This has provided NuVista with confidence to propose an expanded business plan for 2008 where, after two years of diminished emphasis, acquisitions return to having a significant roll in our business plan.


In our second quarter press release, NuVista discussed lower July production and a scheduled turnaround at our Kirkwall facility in September. Both of these factors as well as additional unplanned facility outages had a negative impact on third quarter production. As NuVista worked through these production issues, we continued with the successful implementation of our third quarter drilling program. Production volumes have now returned to second quarter levels of approximately 14,150 boe/d. A facility expansion at our Fir property is expected to add approximately 300 boe/d by late November with a further 200 boe/d being added through minor acquisitions closing in the latter part of November. NuVista is well positioned to achieve our target 2007 exit production rate of 14,700 boe/d - 15,000 boe/d and average annual production rate of 13,900 boe/d.

Using historical pricing for the first nine months and forecast commodity prices for the remainder of 2007, NuVista is forecasting average NYMEX prices of US\$7.00/mmbtu for natural gas, US\$71.50/bbl WTI for oil and a foreign exchange rate of \$0.925 \$CDN/\$US. NuVista expects 2007 cash flow to be in the range of \$110 million to \$115 million (\$2.10/share to \$2.25/share).

NuVista's Board of Directors has approved a preliminary capital budget targeting \$170 million - \$190 million of expenditures for 2008 with approximately one-half of the expenditures allocated to exploration and development activities and the balance to acquisitions. We plan to participate in 140 to 160 wells in 2008. Although there is uncertainty in both the timing and nature of production additions from acquisitions, NuVista remains focused and in control of both our exploration and development program and our acquisition program. We will continue to refine our programs in response to changing market conditions. With the planned implementation of the capital program, NuVista anticipates our production rate for 2008 to average between 15,000 boe/d and 15,500 boe/d

NuVista will continue with our long-standing and successful strategy of cost control and applying the expertise of its own technical staff to its current operating regions, through both the drill bit and acquisitions. In fact, these are the times when NuVista's disciplined and patient approach can lead to opportunities which benefit our stakeholders over the longer term. The execution of our strategies will enable NuVista to continue to grow its production, cash flow and net income consistently and profitably with a focus on per share growth. Our solid financial position will enable us to continue execution of our exploration and development capital program and remain positioned to pursue acquisition opportunities as they arise. We remain unwavering in our commitment to enhance shareholders value over the long-term in a diligent and prudent manner by accessing the broad depth and expertise of our team. We thank our shareholders for their continued support, and look forward to reporting our progress in these changing and dynamic times.

### On Behalf of the Board of Directors



Alex G. Verge  
President and  
Chief Executive Officer

November 1, 2007  
Calgary, Alberta



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

## Consolidated Balance Sheets

(thousands)	September 30, 2007	December 31, 2006
(unaudited)		
<b>Assets</b>		
Current assets:		
Accounts receivable and prepaids (note 6)	\$ 26,500	\$ 25,953
Oil and natural gas properties and equipment	570,219	509,692
Goodwill	54,439	54,439
	\$ 651,158	\$ 590,084
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 25,625	\$ 40,552
Long-term debt (note 3)	161,024	152,485
Asset retirement obligations (note 4)	25,128	22,683
Future income taxes	82,487	77,851
Shareholders' equity:		
Share capital (note 5)	237,868	194,030
Contributed surplus (note 5)	4,973	3,747
Accumulated other comprehensive income (note 5)	53	-
Retained earnings	114,000	98,736
	356,894	296,513
	\$ 651,158	\$ 590,084

See accompanying notes to the consolidated financial statements

## Consolidated Statements of Earnings, Comprehensive Income and Retained Earnings

(thousands, except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
(unaudited)	2007	2006	2007	2006
<b>Revenues</b>				
Production	\$ 48,166	\$ 47,530	\$ 158,623	\$ 143,445
Royalties	(10,258)	(12,428)	(37,999)	(37,016)
Realized and unrealized gains on commodity derivatives (note 6)	884	-	7,085	-
	38,792	35,102	127,709	106,429
<b>Expenses</b>				
Operating	8,934	6,011	27,233	17,574
Transportation costs	1,138	930	3,200	2,695
General and administrative	1,312	705	3,635	1,882
Interest	2,544	1,910	7,143	3,807
Stock-based compensation	763	897	2,225	2,030
Depreciation, depletion and accretion	22,633	18,118	64,157	47,688
	37,324	28,571	107,593	75,676
Earnings before income and other taxes	1,468	6,531	20,116	30,753
Income and other taxes	714	2,449	4,852	1,234
<b>Net earnings</b>	754	4,082	15,264	29,519
<b>Other comprehensive income</b>				
Amortization of fair value of financial instruments (note 1)	(39)	-	(852)	-
<b>Comprehensive income</b>	\$ 715	\$ 4,082	\$ 14,412	\$ 29,519
Retained earnings, beginning of period	\$ 113,246	\$ 88,889	\$ 98,736	\$ 63,452
Retained earnings, end of period	\$ 114,000	\$ 92,971	\$ 114,000	\$ 92,971
Net earnings per share – basic	\$ 0.01	\$ 0.08	\$ 0.30	\$ 0.61
Net earnings per share – diluted	\$ 0.01	\$ 0.08	\$ 0.29	\$ 0.59

See accompanying notes to consolidated financial statements

## Consolidated Statements of Cash Flows

(thousands)	Three months ended September 30,		Nine months ended September 30,	
(unaudited)	2007	2006	2007	2006
<b>Cash provided by (used in):</b>				
<b>Operating Activities</b>				
Net earnings	\$ 754	\$ 4,082	\$ 15,264	\$ 29,519
Items not requiring cash from operations:				
Depreciation, depletion and accretion	22,633	18,118	64,157	47,688
Stock-based compensation	763	897	2,225	2,030
Unrealized (gains)/losses on commodity derivates (note 6)	833	-	(2,574)	-
Future income taxes	714	2,451	4,852	1,234
Asset retirement expenditures	(337)	(623)	(802)	(940)
Decrease (Increase) in non-cash working capital items	11,917	4,287	(6,366)	4,439
	<u>37,277</u>	<u>29,212</u>	<u>76,756</u>	<u>83,970</u>
<b>Financing Activities</b>				
Issue of share capital, net of share issuance costs	916	449	41,360	2,582
Increase (Decrease) in long-term debt	470	(3,755)	8,539	74,889
	<u>1,386</u>	<u>(3,306)</u>	<u>49,899</u>	<u>77,471</u>
<b>Investing Activities</b>				
Business acquisitions (note 2)	-	-	(34,890)	(81,700)
Property acquisitions	(4,804)	-	(4,804)	-
Oil and natural gas properties and equipment additions	(22,575)	(29,959)	(80,505)	(85,911)
Decrease (Increase) in non-cash working capital items	(11,284)	4,053	(6,456)	6,170
	<u>(38,663)</u>	<u>(25,906)</u>	<u>(126,655)</u>	<u>(161,441)</u>
Change in cash	-	-	-	-
Cash, beginning of period	-	-	-	-
<b>Cash, end of period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying notes to consolidated financial statements.

# NUVISTA ENERGY LTD.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2007.

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, 2006 and 2005, except as noted below. The interim consolidated financial statements for the nine months ended September 30, 2007 should be read in conjunction with the consolidated financial statements for the years ended December 31, 2006 and 2005. Certain amounts have been reclassified to conform with the current period's presentation.

### 1. Changes in accounting policies:

#### Financial instruments, hedging activities and comprehensive income

Effective January 1, 2007, NuVista adopted the Canadian Institute of Chartered Accountants ("CICA") section 3855, "Financial Instruments – Recognition and Measurement", section 3865, "Hedges", section 1530, "Comprehensive Income", and section 3861, "Financial Instruments – Disclosure and Presentation". NuVista has adopted these standards prospectively and the comparative consolidated financial statements have not been restated. Transition amounts have been recorded in accumulated other comprehensive income.

At January 1, 2007, the following adjustments were made to the balance sheet to adopt the new standards:

	<b>Amount</b>
(thousands)	
Accounts receivable – commodity derivatives	\$ 1,350
Future income taxes	(445)
Accumulated other comprehensive income	(905)

#### (i) Financial instruments - recognition and measurement

This new standard requires all financial instruments within its scope, including all derivatives, to be recognized on the balance sheet initially at fair value. Subsequent measurement of all financial assets and liabilities except those held-for-trading and available for sale are measured at amortized cost determined using the effective interest rate method. Held-for-trading financial assets are measured at fair value with changes in fair value recognized in earnings. Available-for-sale financial assets are measured at fair value with changes in fair value recognized in comprehensive income and reclassified to earnings when derecognized or impaired. Changes to the measurement of existing financial assets and liabilities at the date of adoption were adjusted to either opening retained earnings or opening accumulated other comprehensive income as noted above.

Additional disclosure requirement for financial instruments have been approved by the CICA, and will be required disclosure for NuVista beginning January 1, 2008.

#### (ii) Derivatives

NuVista continues to utilize financial derivatives and non-financial derivatives, such as commodity sales contracts requiring physical delivery, to manage the price risk attributable to anticipated sale of oil and natural gas production.

NuVista has elected to account for its commodity sales contracts which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with its expected purchase, sale or usage requirements as executory contracts on an accrual basis rather than as non-financial derivatives. Prior to adoption of the new standards, physical receipt and delivery contracts did not fall within the scope of the definition of a financial instrument and were also accounted for as executory contracts.



Prior to January 1, 2007, NuVista applied hedge accounting to its financial derivatives. On January 1, 2007, NuVista discontinued hedge accounting for all existing commodity derivatives. Net derivative gains in accumulated other comprehensive income at January 1, 2007 will be reclassified to earnings in future periods as the original hedged transactions affect net earnings. From that date forward, the changes in fair value of such derivatives will be recognized in net earnings when incurred.

(iii) Embedded derivatives

Embedded derivatives are derivatives embedded in a host contract. NuVista has elected January 1, 2003, as its transition date for accounting for any potential embedded derivatives. NuVista did not identify any material embedded derivatives which required separate recognition and measurement.

(iv) Other comprehensive income

The new standards require a new statement of comprehensive income, which is comprised of net earnings and other comprehensive income which, for NuVista, relates to changes in gains or losses on derivatives designated as cash flow hedges. NuVista has prepared a statement showing the changes in accumulated other comprehensive income.

**2. Business acquisition:**

On April 2, 2007, NuVista completed the acquisition of certain natural gas properties in central Alberta for a net purchase price of \$34.9 million which includes asset retirement obligations of \$166,000. The purchase price is estimated by management based on currently available information. The acquisition has been accounted for at the exchange amount, with results from operations included from the closing date of the acquisition. The purchase equation is as follows:

	<b>Amount</b>
(thousands)	
Net assets acquired:	
Oil and natural gas properties	\$ 35,056
Asset retirement obligations	(166)
<b>Net assets acquired</b>	<b>\$ 34,890</b>
Purchase consideration:	
Cash	\$ 34,890
<b>Total purchase consideration</b>	<b>\$ 34,890</b>

**3. Long-term debt:**

On April 2, 2007, NuVista and its lenders agreed to amend NuVista's credit facility to increase the maximum borrowing to \$220 million. All terms and conditions of the bank loan facility remain unchanged from December 31, 2006.

#### 4. Asset retirement obligations:

A reconciliation of the asset retirement obligations is provided below:

	Nine months ended September 30, 2007	Year ended December 31, 2006
(thousands)		
Balance, beginning of period	\$ 22,683	\$ 14,790
Accretion expense	1,349	1,407
Liabilities incurred	688	4,069
Liabilities acquired	166	2,502
Liabilities settled	(802)	(1,259)
Change in assumptions	1,044	1,174
<b>Balance, end of period</b>	<b>\$ 25,128</b>	<b>\$ 22,683</b>

#### 5. 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, 2006	49,015	\$ 194,027
Issued for cash	2,750	39,875
Conversion of Class B Performance Shares	231	3
Stock-based compensation	-	1,840
Exercise of stock options	487	3,480
Cost associated with shares issued, net of future tax benefit of \$638	-	(1,357)
<b>Balance as at September 30, 2007</b>	<b>52,483</b>	<b>\$ 237,868</b>

(ii) Class B Performance Shares

	Number	Amount
(thousands)		
Balance as at December 31, 2006	271	\$ 3
Converted to Common Shares	(271)	(3)
<b>Balance as at September 30, 2007</b>	<b>-</b>	<b>\$ -</b>

On July 1, 2007 the remaining 270,789 Class B Performance Shares were converted into 230,748 Common Shares.

(iii) Contributed Surplus

	Amount
(thousands)	
Balance as at December 31, 2006	\$ 3,747
Stock-based compensation	3,066
Exercise of stock options	(1,840)
<b>Balance as at September 30, 2007</b>	<b>\$ 4,973</b>

(c) Accumulated other comprehensive income:

	Amount
(thousands)	
Balance as at January 1, 2007	\$ -
Transition adjustment for discontinuance of hedge accounting, net of tax of \$445	905
Reclassification to net earnings during the period, net of tax of \$420	(852)
<b>Balance as at September 30, 2007</b>	<b>\$ 53</b>

(d) Stock options and stock-based compensation:

For the nine months ended September 30, 2007, there were 1,298,600 options granted with an average exercise price of \$14.42/share and an estimated fair value of \$4.29/share. At September 30, 2007 there were 4,329,937 stock options outstanding, with an average exercise price of \$13.15/share.

NuVista 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 4.5%; volatility of 32%; an expected life of 4.5 years and dividends of nil. On May 3, 2007, NuVista's shareholders approved an amendment to the stock option plan converting the plan into a "rolling" 10% plan.

## 6. Financial instruments:

(a) Balance sheet financial instruments:

NuVista's financial instruments recognized in the Consolidated Balance Sheet consist of cash and cash equivalents, accounts receivable, derivative contracts, substantially all current liabilities, and long term debt. Unless otherwise noted, carrying values reflect the current fair value of the company's financial instruments. The estimated fair values of recognized financial instruments have been determined based on NuVista's assessment of available market information and appropriate methodologies, through comparisons to similar instruments, or third party quotes.

(b) Commodity price risk management contracts:

(i) As at September 30, 2007 NuVista has entered into the following costless collar crude oil contracts:

Volume	Average Price (\$/bbl)	Term
250 bbls/d	CDN\$74.25 - CDN\$100.19 – WTI	October 1, 2007 – December 31, 2007
500 bbls/d	CDN\$70.95 - CDN\$94.90 – WTI	January 1, 2008 – March 31, 2008
500 bbls/d	CDN\$70.95 - CDN\$94.07 – WTI	April 1, 2008 – June 30, 2008
250 bbls/d	CDN\$70.03 - CDN\$90.03 – WTI	July 1, 2008 – December 31, 2008

As at September 30, 2007, NuVista has entered into the following costless collar natural gas contracts:

Volume	Average Price (Cdn \$/gj)	Term
15,000 gj's/d	\$ 7.42 - \$ 8.00 – AECO	October 1, 2007 – October 31, 2007

As at September 30, 2007, the market value of the commodity derivative contracts was approximately \$2.7 million and is included on the balance sheet in accounts receivable.

(ii) Physical purchase contracts:

As at September 30, 2007, NuVista has entered into direct sale costless collar to sell natural gas as follows:

Volume	Average Price (Cdn \$/gj)	Term
5,000 gj's/d	\$ 7.25 - \$ 8.00 – AECO	October 1, 2007 – October 31, 2007
10,000 gj's/d	\$ 8.13 - \$10.38 – AECO	November 1, 2007 – March 31, 2008

(iii) Commodity derivative gains/(losses):

(thousands)	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Realized gains	\$ 1,717	\$ -	\$ 4,511	\$ -
Unrealized gains (losses)	(833)	-	2,574	-
<b>Total realized and unrealized gains on commodity derivatives</b>	<b>\$ 884</b>	<b>\$ -</b>	<b>\$ 7,085</b>	<b>\$ -</b>

**7. Relationship with Bonavista Petroleum Ltd.:**

In 2003, as part of the Plan of Arrangement with Bonavista Petroleum Ltd. ("Bonavista"), NuVista entered into a Technical Services Agreement ("TSA"). Under the TSA, Bonavista received payment for certain services provided by it to NuVista. Effective January 1, 2007, the terms of the TSA were amended to reflect the reduced level of services provided by Bonavista. On August 31, 2007, the TSA was terminated and replaced with a new services agreement that reflects these ongoing services that will be provided by Bonavista. NuVista and Bonavista are considered related as two directors of NuVista, one of whom is NuVista's chairman, are also directors and officers of Bonavista and a director and an officer of NuVista are also officers of Bonavista. For the three months ended September 30, 2007, net fees of \$22,000 (2006 - \$1.0 million) relating to general and administrative activities were charged by Bonavista. For the nine months ending September 30, 2007, these costs totalled \$32,000 (2006 - \$1.6 million). In addition, Bonavista charged NuVista \$996,000 for costs that are outside of the TSA during the first nine months of 2007 relating to NuVista's share of direct charges from third parties. As at September 30, 2007, the amount payable to Bonavista was \$1.1 million.

**8. Supplemental information:**

(thousands)	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Cash paid on interest	\$ 2,202	\$ 1,922	\$ 6,555	\$ 3,722
Cash paid on income and other taxes	-	-	-	409

## 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:

Alex G. Verge  
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"

